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SOVIET UNION
Seeking solace in the west's financial fold
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World News

Bulgaria's premier quits after weeks of pressure

Bulgarian prime minister, Andrei Lukanov, finally resigned after weeks of pressure from the opposition Union of Democratic Forces and four days of nationwide strikes.

Mr Lukanov, 52, whose party won a comfortable majority in free elections in June, failed to persuade the UDF to join a coalition which he deemed vital for implementing tough economic reforms. Page 2

German backdown

Bonn is to soften its resistance to radical reform of the EC's agricultural protectionism, one of the main stumbling blocks to reaching an accord at delicate trade negotiations next week. Page 20; Moscow calls in troops, Page 2; German elections, Page 18

Move to democracy

Mozambique, once one of Africa's redoubts of Marxism, today adopts a new constitution committing it to multi-party democracy and a mixed economy. Page 4

Angolan rebel attack

US-backed rebels fighting to overthrow Angola's government attacked an oil refinery in Luanda and fought a separate five-hour battle with troops just north of the Angolan capital. Up to 11 soldiers and rebels were feared killed.

Students go on trial

China put on trial two student leaders accused of playing leading roles in last year's pro-democracy movement, charging them with counter-revolutionary crimes.

Israeli strike plan

Israel's trade unions vowed that an indefinite national strike would start on Sunday in protest at steep rises in taxes.

Cocaine seized

French and Spanish police seized over one tonne of cocaine in two separate operations. The drugs were found on a yacht docked in the Cape Verde islands and on the Franco-Dutch island of St Martin.

Turkey Aids plan

Turkey's parliament is considering new laws to compel engaged couples to undergo Aids tests before marrying.

Blacks found dead

South African police found the stabbed and hacked bodies of nine black men at a squatter camp where at least 35 people were killed in faction fighting earlier this month. There was no explanation for the killings.

'Green' label plan

The EC environment commissioner unveiled plans to introduce a "green" label for environmentally friendly consumer products. Page 2

France sends troops

France is to send paratroops to reinforce its garrison in Chad because of renewed rebel fighting in the central African country.

An expensive read

The English Bestiary, a 13th Century book of fables and anecdotes, was sold in London for just under £3m ($6m), the second highest price ever paid for any manuscript.

Business Summary

NutraSweet found guilty of dumping sweetener

NutraSweet, world's leading producer of aspartame and subsidiary of US multinational Monsanto, was found guilty by the European Commission of dumping the low calorie sweetener on the European Community market. Page 3

VOLKSWAGEN of Germany, leading European car maker, is to form its second car assembly joint venture in China with the aim of building 150,000 cars a year by 1996. Page 20

COCA-COLA of the US and Switzerland's Nestlé, two of the world's largest food and drink companies, are forming a joint venture to develop the market for ready-to-drink tea and coffee. Page 21

THOMSON CSF, French state-controlled defence electronics group, is negotiating to buy Pilkington Optronics, the £80m ($157m) turnover optical detection subsidiary of the Pilkington glass group. Page 21

BRITISH AEROSPACE, UK's prime defence contractor, plans to drastically restructure its military aircraft operations. Page 20

MARKETS: share prices lost further ground in Tokyo pushing the Nikkei average below 23,000 for the first time in five trading days. It finished 341.28 down at 22,712.60. In Paris the CAC 40 index rose 5.81 to 1,607.06. In Frankfurt the DAX index eased 1.70 to 1,418.92. Back Page, Section II

BPB INDUSTRIES, Europe's biggest plasterboard manufacturer, announced a pre-tax profit fall of almost 40 per cent during the six months to the end of September. Page 21

ADT, Bermuda-registered security and car auction company, sold a 4.6 per cent stake in BAA, UK airports owners and managers, signalling an end to its attack on the government's hold over the privatised company. Page 8

MEPC, UK's second largest property company, announced a 10.3 per cent fall in its net asset value over the year. Page 22; Lex, Page 20

FOOTWORK International, Japanese transport and leisure company, plans to invest around $300m in building up a European transport network to operate in the post-1992 internal market. Page 22

NEW US futures exchange is planned in Minnesota. The exchange intends to trade cross currency futures contracts, starting with a sterling/D-Mark cross-rate. Page 25

ELDERS IXL, of Australia was transformed into Fosters Brewing Group. Page 23

ROBERT BOSCH, German electrical and automotive parts group, has pulled out of a proposed C$110m ($94m) deal to buy 50 per cent of Canada's only cellular telephone maker, NovAtel Telecommunications of Calgary. Page 24

LVMH, French drinks and luxury goods group, is to raise nearly FFr4bn ($800m) of fresh cash by an issue of repackaged perpetual notes. Page 26

US TREASURY is to issue $7.5bn of zero-coupon 30 year bonds to Venezuela as part of its debt-restructuring agreement. Page 26

Walesa warns that Poland faces threat of 'civil war'

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Walesa: threat

POLAND'S leading presidential candidate Mr Lech Walesa yesterday warned that the country could face "something like civil war" if his rival Mr Stanislaw Tyminski won in the second round voting on December 9.

Speaking in Gdansk after failing to unite the deeply divided Solidarity movement behind his candidature, Mr Walesa accused his Polish-Canadian rival of being backed by former communists and secret policemen adding "things are really very serious. I am terrified at how far society is dissatisfied with us and what is going on in Poland."

In Warsaw the Sejm (parliament) moved to calm the political crisis provoked by the first round of presidential voting last Sunday by refusing to accept the immediate resignation of Mr Tadeusz Mazowiecki, the prime minister, and his government. Mr Mazowiecki resigned on Monday after being pushed into a humiliating third place in Sunday's poll.

Parliament requested the prime minister to prepare a report on his 15 months in office and demanded he remain in office until it could debate the contents.

No date has as yet been given for presenting the report.

At a stormy meeting of the 250-strong Solidarity parliamentary group (OKP) on Wednesday, Mr Adam Michnik, Mr Bronislaw Geremek and other supporters of Mr Mazowiecki attacked Mr Walesa.

Mr Michnik, after an emotional speech, full of recrimination against Mr Walesa for provoking the split which permitted Mr Tyminski to challenge Solidarity's political primacy, announced he was resigning from the OKP. However, a majority of the parliamentary group decided to back Mr Walesa in the second round.

Mr Walesa has also angered his supporters in the "Centre Agreement" for trying to keep the present government in place until the spring. The centre faction's leaders issued a statement yesterday warning that the will of the voters, as expressed in voting against Mr Mazowiecki, should be respected.

The faction had backed Mr Walesa's attack on the intellectual wing of Solidarity and his criticism of the Mazowiecki government for not moving fast enough with economic and other reforms and not removing former communists from Continued on Page 20

Mazowiecki: accused

Bush may summon special Congress session on Gulf

By Peter Riddell, US Editor, in Washington

US president George Bush is considering summoning a special session of Congress in two weeks' time to win support for his determined stand against Iraq.

The president would seek a congressional imprimatur for his policy following the expected approval of a United Nations Security Council resolution authorising "all necessary means" to force Iraq to leave Kuwait unless it does so voluntarily by January 15.

Mr James Baker, US secretary of state, last night presided over a special session of the Security Council's foreign ministers to approve the resolution. The US looked certain to win the support of 11 of the 15 members, including the Soviet Union. China appeared set to abstain.

However, while the Bush administration has successfully mobilised international support to intensify pressure on Baghdad, there are widespread doubts in the US and in Congress about the wisdom of early military action.

Two former chairmen of the joint chiefs of staff and several leading Democrats have urged patience, sayingmore time should be given for the present UN sanctions against Iraq to take hold.

Leading Republicans, such as Senator Robert Dole, the minority leader, have urged Mr Bush to call a special session to pin down congressional backing for his approach.

The president would seek a broad endorsement for his policy – and possibly a resolution along the lines of that being debated by the UN yesterday – rather than a declaration of war against Iraq, which many leading Democrats believe would be premature.

James Baker, US secretary of state, and China's foreign minister Qian Qichen yesterday

This approach would also avoid a constitutional argument over congressional prerogatives in approving military action.

Before a meeting with congressional leaders today, the White House was yesterday non-commital about the calls for a special session. Mr Marlin Fitzwater, the president's spokesman, said no decision had been taken.

Mr Bush has been reluctant to call Congress back from its recess, but he is willing to consult on the idea. Mr Dole has said the odds of such a session are better than even.

The White House has been waiting until after the UN vote to take a high domestic profile over Iraq, but senior advisers believe Mr Bush and his senior officials must be more active in view of this week's highly publicised expression of doubts about his policy.

Vice-president Dan Quayle, yesterday warned against waiting too long to take military action. He said patience now might risk larger American casualties later. He described the UN resolution was the "last and best hope for peace."

The Pentagon announced yesterday that the US now has more than 240,000 troops in the Saudi Arabian region, an increase of 10,000 on the previous estimate.

In Bagdhad, President Saddam Hussein of Iraq said his country would not be cowed by US pressure. Speaking on state televison hours before last night's UN vote, he said Iraq was prepared to fight any US-led attack.

"We ask ourselves every day 'Are we in the right?' and the answer is 'We are right and part of a great people and nation which will never be defeated by threat and might'," Mr Saddam said.

● British forces in the Gulf
Continued on Page 20
China profits from UN vote and Kuwait ponders problems, Page 4

US is likely to avoid recession, OECD reports

By Michael Prowse in Washington

THE US economy is facing a period of slow growth but should avoid a recession, the Organisation of Economic Co-operation and Development said in a report published yesterday.

The Paris-based group said the need to raise domestic savings by cutting the federal deficit was "more pressing than ever" and urged a range of structural reforms to improve public sector efficiency.

The short run forecast, markedly more optimistic than many recently published in the US, sees growth slowing to 0.7 per cent at an annual rate in the second half of this year before recovering in 1991.

The OECD expects growth to average 1.1 per cent next year, fractionally higher than this year. By the second half of 1991, the annual growth rate is expected to recover to almost 2 per cent.

The report assumes an oil price of $27 a barrel and anticipates a temporary rise in consumer price inflation to about 7 per cent over the next six months. But by the end of 1992 inflation is down to 5 per cent.

In the short run, growth is being sustained almost entirely by the buoyancy of exports which are forecast to grow at annual rate of about 8 per cent in volume terms. Domestic demand is expected to be weak, and unemployment is to rise to 6.5 per cent next year.

The report was approved on October 1 and so cannot reflect the deteriorating trend of recent economic statistics, such as last month's sharp fall in industrial production and plunging consumer confidence. However, OECD officials yesterday said their conclusions would not be much altered by recent events.

The OECD says its optimism is based on industry's tight control of inventories - the ratio of stocks of unsold goods to sales is still low by historical standards - and the relative steadiness of the "core" inflation rate, which reflects the flexibility of wage and price setting.

The report indicates that concern about the financial fragility of the banking system and restricted corporate access to credit may be exaggerated. It says bank balance sheets are not so weak as to suggest an impending "credit crunch". Corporate debt equity ratios have improved if assets are measured at market values.

While relatively sanguine about short run prospects, the OECD highlights serious structural problems. The priority is to raise national savings by curbing the budget deficit. This should be bolstered by further wide ranging tax reforms and measures to improve the efficiency of the public sector.

The case for increasing tax revenues has become "irresistible" but revenue should be raised by broadening the tax base rather than raising tax rates. The report urges reform of corporation tax to lessen the attractions of debt finance, and the elimination of tax breaks for home mortgages.

Details, Page 6; Editorial Comment, Page 18

UK banks' share prices fall on news of worsening bad debts

By David Waller and Richard Waters in London

BARCLAYS, the UK's largest clearing bank, said yesterday that trading conditions had deteriorated since it issued a profits warning in the summer.

The gloomy news was accompanied by poor figures from the Royal Bank of Scotland, the UK's seventh largest banking group, and led to a fall in the share prices of many leading banks.

Barclays said its bad debt experience had worsened since the summer, and problems were now more widely spread.

At the Royal Bank of Scotland, a surge in provisions for bad debts led to a £94m ($184m) drop in underlying pre-tax profits to £241m in the year to the end of September, after stripping out exceptional profits.

Provisions at the Royal Bank rose from £88.1m last year to £193.8m, with a particularly sharp increase in the second half of the year.

Barclays' shares dropped from 18p to 364p, National Westminster shares fell 16p to 269p and Lloyds dropped 15p to 280p. Shares in Royal Bank rose, however, because the results were not as bad as had been feared.

Some analysts said a temporary drop in bank shares was inevitable after a month in which they had outperformed the stock market.

However, Mr Christopher Ellerton at Warburg Securities said that if other banks were experiencing the same ratio of bad debt provisions to loans, there would have to be a wholesale downgrading of profit estimates for 1990-91.

"One gets the feeling that the banks are only now shutting the stable door," he said, "although it looks like the horse bolted several months ago."

When Barclays issued its profits warning in the summer, it blamed a small number of large corporate collapses, such as British & Commonwealth and Parkfield, as well as an increase in business failures in the south-east of England.

Yesterday Barclays said the problems extended now to all aspects of the bank's loan book and had spread nationwide since the summer.

Personal as well as business customers have defaulted, it said.

Sir Michael Herries, Royal Bank chairman, said that about half the bank's provisioning was due to exposure to a "handful" of recent large corporate failures.

He did not identify these, although analysts said the bank has had to provide against British & Commonwealth Holdings, the financial services group now in the hands of administrators, and Lowndes Queensway, the retail group in receivership.

Sir Michael said the level of provisioning also reflected the general downturn in the economy and its effects on the corporate customer base.

● Barclays also said that it had offered £111m to buy out the former partners whose businesses it bought five years ago to form Barclays de Zoete Wedd.

The payment, to 300 shareholders, values the group's investment banking business at £771m.

Background, Page 21

Weekend FT

Tomorrow: Play ground of gods and devils — travel special on Indonesia

●

The channel tunnel and John Bull

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Election victory could prove mixed blessing for Kohl

The first free elections for a united Germany since 1932 take place on Sunday, with Chancellor Helmut Kohl the favourite to remain in power. But he will have to navigate some treacherous post-election shoals
Page 18

MARKETS

STERLING
New York lunchtime:
$1.9480
London:
$1.9535 (1.9725)
DM2.9225 (2.9275)
FFr9.860 (9.8775)
SFr2.490(2.5)
Y258.50 (256.0)
£ index 94.5 (94.6)

GOLD
New York: Comex Dec
$391.7
London:
$386.5 (385.0)

N SEA OIL (Argus)
Brent Jan
$33.15 (32.375)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.5035
FFr5.0765
SFr1.2805
Y132.75
London:
DM1.4960 (1.484)
FFr5.0475 (5.0075)
SFr1.2750 (1.268)
Y132.30 (129.8)
$ index 60.5 (60.3)
Tokyo close: Y130.15

US lunchtime rates
Fed Funds $7\frac{3}{8}$%
3-mo Treasury Bills:
yield: 7.23%
Long Bond:
$102\frac{3}{32}$
yield: 8.48%

STOCK INDICES
FT-SE 100:
2,135.6 (-8.7)
FT Ordinary:
1,674.8 (-11.4)
FT-A All-Share:
1,027.16 (-0.4%)
New York lunchtime:
DJ Ind. Av.
2,519.80 (-15.35)
S&P Comp
316.19 (-1.76)
Tokyo: Nikkei
22,712.60 (-341.28)

LONDON MONEY
3-month interbank:
closing $13\frac{5}{8}$-$13\frac{1}{2}$%
($13\frac{5}{8}$)
Life long gilt future:
Dec $87\frac{22}{32}$ ($88\frac{11}{32}$)

Brussels plans 'green' label to grade consumer products

By Tim Dickson in Brussels

PLANS to introduce a "green" label for environmentally friendly consumer products were unveiled yesterday in Brussels.

The proposed scheme – similar to the "Blue Angel" system which currently operates in Germany – represents the first concrete example of the EC's newly "market oriented" environmental policy.

Mr Carlo Ripa di Meana, the environment commissioner in Brussels, said that other "market based incentives" are currently being prepared by officials and should be announced over the next few weeks. They would include proposals for a new environment fund and a number of new "economic and fiscal instruments".

The aim of the eco-labelling initiative, Mr Ripa di Meana explained, is to influence market behaviour by clearly identifying "through a sort of competition" those products that do least harm to the environment. The impact, he added, would be felt directly by designers in industry.

There seems every chance the Brussels proposals will be adopted by member states since interest in clear EC guidelines has already been expressed by the French, British, Portuguese, Dutch and Danish governments. The Commission, indeed, has acted at this stage to prevent conflicting national systems posing a threat to the single market.

Under the proposal, as it stands, a limited number of labels would be awarded in every product sector using a "cradle to grave" approach. Thus lawnmowers would be assessed not only for the noise they make cutting the grass but for the pollution emitted during manufacture and the environmental "costs" of its final disposal. Phosphates would be evaluated not only with regard to their effect on water but on the basis of the manufacturing process.

All products will be eligible for the new scheme except beverages, foodstuffs, pharmaceutical products, and dangerous chemical substances.

The green label awards will be allocated by an independent panel nominated by the member states on the basis of specific criteria initially decided by the Commission. Responsibility for setting these criteria will ultimately be passed to the European Environment Agency, the fledgling institution which has been given the blessing of member countries and of the European Parliament, but which has yet to find a home.

Mr Ripa di Meana yesterday derided national governments' "paralysis" in their search for a suitable site and said that the "reciprocal vetoes" which are blocking all proposals so far "were not tolerable where such important issues are concerned".

He said yesterday that Brussels will come forward with its own proposal if the member states do not reach a decision at next month's Rome summit.

The Commission said yesterday that it had blocked nearly 90 per cent of a BFr113m (£1.9m) subsidy package granted by Belgium for Volkswagen's Brussels plant, Reuter reports from Brussels.

The Commission allowed the remainder of the package, amounting to BFr12m, and approved plans to give Volkswagen a five-year withholding tax exemption.

The bulk of the package amounted to illegal state aid that would have given the car manufacturer an unfair edge against EC rivals, the Commission said, adding that the approved segment of the subsidy is earmarked for genuine innovation projects.

The German Social Democrats' candidate for Chancellor, Mr Oskar Lafontaine, campaigning for Sunday's election, as latest opinion polls suggested his party would receive just 34 per cent of the vote, compared with 53 per cent for the three-party coalition of Chancellor Helmut Kohl.

Mr Lafontaine has unsuccessfully been trying to persuade Germans that Mr Kohl will favour big business and neglect workers and the environment as east Germany makes the shift to capitalism. The Social Democrat standard bearer was speaking in Saarbrücken last night and Mr Kohl was making his final campaign appearances in Stuttgart and Offenburg.

Lukanov finally resigns after pressure from UDF

By Judy Dempsey

BULGARIA'S prime minister, Mr Andrei Lukanov, last night finally resigned after weeks of pressure from the opposition Union of Democratic Forces and four days of nation-wide strikes organised by Podkrepa, the independent trade union.

Mr Lukanov, 52, whose party, the Bulgarian Socialist (former communists) won a comfortable majority in last June's first free elections, failed to attract public support for his economic reforms. But above all, he failed to persuade the UDF to join a government coalition which he deemed vital for implementing through necessary economic reforms.

The UDF refused to join any coalition on the grounds that since it was the communists who were responsible for the economic crisis in the first place, they alone must take responsiblity for dealing with it.

However, earlier this month, the UDF shifted its position and said it would join a coalition under condition that it be given the posts of interior, economy and foreign ministries as well as the prime ministership.

Mr Lukanov's resignation means that Mr Zhelu Zhelev, the president, will now have to find a prime minister acceptable to the UDF and the BSP.

It is expected he will choose a candidate which does not belong to either party.

Mr Lukanov, who was the subject of a bitter smear campaign in the media, said last week that the UDF was using extra parliamentary pressures aimed at forcing him to resign. Nevertheless, he still managed to win a vote of no-confidence in the parliament.

Despite this, Podkrepa, the 500,000 strong independent trade union which is led by Mr Konstantin Trenchev, organised a nation-wide strike which started last Monday aimed at forcing the prime minister to resign.

At first, support for the strike was patchy, but as support increased over the past few days, Mr Lukanov realised that his position was becoming increasingly untenable.

The UDF, for its part, which took its election defeat very badly, said Mr Lukanov was heading a government of communists, which could not gain public credibility or support for anything it did.

The task facing any new government remains the same. Bulgaria is facing its worst economic crisis since the Second World war, the shops are empty, many staple goods are rationed and power cuts have crippled industry. Reforms aimed at liberalising prices, overhauling the banking system and appointing efficient managers to run the enterprises will have to be introduced.

These are the changes Mr Lukanov intended to make. But Mr Peter Beron, a senior member of the UDF said only a non-communist prime minister could gain the trust and support of the population to accept more austerity measures.

Andrei Lukanov: his reforms failed to attract support

● East European finance

Czechoslovakia requests DM1bn credit from Kohl

THE Czechoslovak prime minister, Mr Marian Calfa, the second east European leader to visit Germany this week seeking economic help, yesterday asked Chancellor Helmut Kohl for a DM1bn (£340m) credit, Reuter reports from Bonn.

Mr Calfa said that he and Mr Kohl had agreed that talks on a friendship treaty between the two states should begin early next year. He hoped it could be signed by the summer.

Bonn signed a similar treaty with the Soviet Union this month and is preparing another with neighbouring Poland.

Mr Calfa said Czechoslovakia needed a mid-term credit of a DM1bn to help economic reforms aimed at introducing a free market economy. "I asked Kohl for this credit. He said he would think about it," he said.

Mr Calfa said July's German economic union had cost his country some 500m transfer roubles – the notional currency used for trade inside the old Soviet bloc.

Many east German companies with Czechoslovak contracts face bankruptcy as they try to compete with western companies. From 1991 all trade with them will have to be paid for in hard currency.

Mr Calfa said said that Kohl had pledged to support Prague's goal of associate status with the EC.

Before Mr Calfa met business leaders, the chairman of the German East-West Trade Committee, Mr Otto Wolff von Amerongen, said that Czechoslovakia looked likely to become the best place in eastern Europe for German firms to invest in.

The Romanian prime minister, Mr Petre Roman, met Mr Kohl on Wednesday but received little immediate help apart from a pledge to finance repairs to a power station.

EC may take over risky loans

THE European Community will consider taking over east European countries' insecure credits to the Soviet Union, Mr Frans Andriessen, Commission vice-president, said yesterday, **Nicholas Denton writes from Budapest.**

Mr Andriessen said that a Hungarian government proposal that the EC purchase its now risky $1.1bn loan to the Soviet Union was discussed at yesterday's meetings in Budapest as "one of the ideas to deal with this specific problem". As a possibility for other east European countries, he added: "It deserves examination."

The Hungarian National Bank is relying on repayment of the sum next year, so that it can finance the country's expected $1bn to $1.5bn current account deficit.

But the Soviet Union is holding out for gradual repayment over five years.

Germany steps up Soviet airlift

By David Goodhart in Bonn

THE German "Help Russia" emergency food aid programme began in earnest yesterday with the airlifting of 700 tonnes of food to several towns in the Soviet Union.

Chancellor Helmut Kohl, who on Wednesday night led a television appeal on behalf of the campaign, confirmed yesterday that most of the food reserves stored in west Berlin would be given free to the Soviets. The reserves of 350,000 tonnes of food are valued at DM500m ($339m).

Mr Kohl said that the people of Germany must now ratify what has been agreed between the German and Soviet leaders over the past few months. The TV appeal has so far raised only about DM7m, but the figure could rise into the hundreds of millions over the next few weeks.

There is considerable readiness among ordinary Germans to contribute to help the Soviets – one poll put it as high as 90 per cent – and the campaign is invoking the emotional symbolism of the former German invaders now bringing peace and bread.

Mr Horst Teltschik, Mr Kohl's foreign affairs adviser, said yesterday that German proposals to involve the Bundeswehr had not yet been approved. Some analysts fear that if the food distribution is controlled by the Soviet army much of it will not reach its proper destination.

However, the continuing sensitivities of the Soviet Union to the presence of the German military on Soviet soil means that it remains uncertain whether the Bundeswehr will be involved in the distribution of food.

Mr Teltschik also said that the German government was moved by self-interest as well as humanitarianism in trying to prevent the collapse of the Soviet Union. Germany particularly fears a wave of Soviet immigrants when the country's borders are officially opened.

Already 500,000 of the 3m Soviets of German origin, and who have a legal right to emigrate to Germany, have put in applications to enter the country.

● The east German rail strike ended yesterday after a compromise was agreed on the union's main demand for no redundancies. Employers and union have agreed to negotiate a plan for "socially acceptable" redundancies by the end of March next year.

● About half of all young east Germans are considering moving to west Germany, according to Mrs Elisabeth Noelle-Neumann the leading German pollster. At least 1,000 east Germans a week are estimated to be moving west although no official figures are kept.

The Leipzig Institute for Youth Research has come to a similar conclusion. Its latest poll finds that only 33 per cent of 15 to 24 year old east Germans are certain to stay, 55 per cent say they will probably stay and 12 per cent say they will probably or certainly leave.

Moscow to improve food distribution

By Leyla Boulton in Moscow

THE Soviet government is putting the finishing touches to emergency plans for distributing foreign and domestic food supplies as its centralised distribution system collapses.

Mr Andrei Orlov, deputy chairman of the Soviet government's economic reform commission, said the army would probably be used to ensure that food reaches its destination.

Priority destinations are big cities such as Moscow and Leningrad, industrial centres such as Sverdlovsk, and key coal-mining areas, such as Vorkuta and Kuzbas, where miners have threatened to strike.

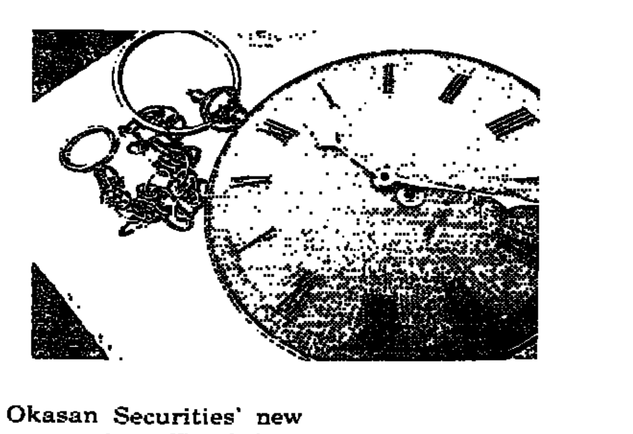
The locations listed by Mr Orlov suggest that another priority for the Soviet government is to avoid industrial unrest.

Rumours of famine in the Soviet Union are unfounded, but unless effective measures are taken to supplant the traditional state distribution system, the danger is that foreign food aid to alleviate severe shortages will rot in railway sidings and ports or simply disappear. A distribution action plan would be unveiled within days.

Citing the crisis in the country, Mr Gorbachev yesterday postponed a planned trip to Oslo to receive the Nobel Peace Prize.

● President Mikhail Gorbachev is due today to visit the republic of Moldavia, which declared national sovereignty in June, Reuter reports from Moscow.

The Moldavian Popular Front, which is demanding full independence for the south-eastern republic, was planning mass demonstrations during the visit, according to the independent Interfax agency.



Environmental laws to boost engineering

By Clive Cookson

ENGINEERING contractors are expecting many billions of dollars worth of new business during the 1990s as the petrochemicals industry adapts to new environmental constraints, the Financial Times conference on European Petrochemicals was told yesterday.

Mr Stephen Burrell, vice-president of M.W. Kellogg, a leading Texas-based contractor, said environmentally driven investments by petrochemicals companies could *compensate for the expected* decline in orders for additional production capacity.

The cost of new plants to produce reformulated gasoline (petrol), diesel and other oil derivatives required to meet environmental regulations would be around $8bn over the next decade in western Europe, Mr Burrell estimated.

Mr Edward Bennett, the European Commission's industry and the environment director, said the EC planned to move on from its present piecemeal environmental regulations to "better integration of pollution control and chemicals control". "However, a more integrated approach demands better co-operation from yourselves," Mr Bennett told the audience of chemical company executives.

Ms Hilfra Tandy, editor of the newsletter Chemical Matters, urged them to do more to improve the industry's public image on the environment.

She acknowledged that some chief executives, such as Mr Ed Woolard of Du Pont, were now giving a strong lead on environmental issues. But Ms Tandy said: "The public image of the petrochemical industry can be summed up with one four-letter word, connected with effluent."

Mr Eric Leon, managing director of Arthur D. Little's European chemical industries consultancy, said environmental costs were one of the main factors leading to the "globalisation" of the petrochemical industry. One consequence of globalisation would be a new wave of merger and acquisition activities.

"We see, however, that increasing constraints to traditional merger and acquisition activities will lead to creative financing and new approaches being sought, based on some of the innovative developments having taken place in the 1980s and recently in the pharmaceutical industry," Mr Leon said.

FT
CONFERENCE
PETROCHEMICALS IN EUROPE

Ms Jackie Ashurst, chemicals analyst at James Capel, said financial institutions carry "an underlying prejudice" against chemicals companies, as shown by their low share prices. Most European companies in the sector stand at discounts of between 30 and 50 per cent on a prospective price/earnings basis to their own national markets.

She said investors' main points of concern include: the industry's cyclical nature, the costs of reinvestment, environmental costs and uncertainty about the Gulf crisis. "The important thing is for the industry to try to attract the long-term investors, whereas in some cases it seems to be spending its efforts attracting the short-term ones," Ms Ashurst said.

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Banks say Sweden is heading for recession

By Robert Taylor in Stockholm

SWEDEN is heading for its worst recession for 50 years, according to the latest forecasts by two of the country's leading banks, Nordbanken and Sparbanken.

Nordbanken expects a fall of 10 to 15 per cent in industrial investment in 1991, with a further sharp decline of 10 per cent in 1992.

The banks believe that the predicted deterioration will force a long-term change in economic strategy, now that devaluation has been ruled out as an option.

Nordbanken believes that Sweden will have to link the value of the krona to the exchange rate mechanism of the European Monetary System or to the D-Mark, to ensure monetary stability and cut employer tax contributions.

Sweden also looks set to suffer a net drop in its gross national product of between 0.4 to 0.5 per cent next year, according to both banks, and with a further fall of 0.2 per cent in 1992, predicts Nordbanken.

The banks' suggest that registered unemployment will rise to the highest levels seen in Sweden since the early 1930s, with a climb from 1.5 per cent this year to 3 per cent in 1991 and 4 per cent by the end of 1992.

However, there will be no major improvement in Sweden's high inflation next year. Nordbanken predicts a 10.2 per cent growth in consumer prices, compared with 10.4 per cent this year, while Sparbanken forecasts a 9 per cent consumer price rise next year.

Both believe the price rises will fall to between 4.5 to 5 per cent in 1992.

EUROPEAN NEWS

Japanese clothing chain to set up stores in China

By Robert Thomson in Tokyo

TAKA-Q, a clothing chain best known for providing Japanese office workers with their standard blue suit, has announced an agreement with a Chinese government trading company to establish a chain of men's wear stores in China.

The Japanese company said that the final number of stores and opening dates remained to be decided, but it was hoped that the first joint venture store would open in Peking next year, with further stores to follow in other large Chinese cities.

Some outlets will offer men's and women's fashions, with an emphasis on office wear, though a Taka-Q spokesman said that the stores would definitely not stock Mao suits, which are still popular among some Chinese cadres.

The spokesman said the agreement was signed after three years of negotiation with a technology trade corporation under China's trade ministry.

The talks were suspended after the crushing of the pro-democracy movement in June last year, but resumed recently, and agreement was quickly reached.

Stock is generally expected to be purchased from Chinese factories working to the Japanese company's specifications, and will include casual wear, as well as some imports from Taka-Q's operations in Japan.

The Japanese company has also agreed to provide training in retailing and clothes-making in an attempt to improve Chinese service and product levels.

A contract specifying the amount of investment and a proposed number of stores is expected to be signed early next year.

EC finds NutraSweet guilty of dumping

By Tim Dickson in Brussels

NUTRASWEET, the world's leading producer of aspartame was found guilty yesterday of dumping quantities of the low calorie sweetener on the European Community market.

Explaining its decision to impose provisional anti-dumping duties on NutraSweet, a subsidiary of the US multinational Monsanto, the European Commission rejected claims that patent protection in a company's home market justifies charging higher prices for domestic sales than for *exports.*

Brussels says that its investigation - prompted by the EC's only manufacturer of the product the Holland Sweetener Company - established dumping margins for the US exporter exceeding 100 per cent. Ajinomoto of Japan, the only Japanese exporter, refused to provide essential information with the result that the findings against NutraSweet have been applied to it.

The case has been widely watched because of the principles at stake, notably whether the domestic price in the US should have been used as a basis for "normal value" given NutraSweet's patent protection there. The patent has lapsed on the Community market.

According to the Commission "injurious price discrimination is a practice which is condemned, by the EC and international law irrespective of the reasons and motives underlying such discrimination. In this context a patent holder cannot claim to be *obliged to practise higher* prices domestically than for export sales. Such a practice results entirely from his free commercial decision."

The Holland Sweetener Company, meanwhile, suffered "material injury" since its losses due to price undercutting were such that they have been threatening the viability of the industry.

The duty levels, which Brussels admits will are Ecu29.95 (£21.13) per kilo for Ajinomoto and Ecu27.55 per kilo for NutraSweet.

Japanese company signs Vladivostok fishing deal

By Stefan Wagstyl in Tokyo

A JAPANESE trading company has signed a joint venture agreement with three Soviet enterprises in Vladivostok, in the first such deal between Vladivostok and a non-Communist country.

The agreement indicates that Soviet authorities want to develop links even though Vladivostok is still officially closed to foreigners because of its naval bases. Vladivostok should be opened to foreigners in 1991 or 1992, but many have already visited on business.

The deal shows that Japanese companies are becoming *more interested in investments* in the Soviet Far East. The amounts remain modest and the number – about 10 – small compared with west European investments there.

The Japanese partner in the latest venture is Tokyo Maruichi Shoji, a medium-sized company with 30 years' experience in Soviet trade. The venture, called Ocean, will be capitalised at $1m, with Maruichi putting up 35 per cent and three Soviet companies the rest. One of the Soviet companies is a deep-sea fishing fleet based in Vladivostok.

Ocean will modernise a fish processing factory in Vladivostok. The plant will produce fish *products for* the Soviet market and for export to Japan. It expects sales of $3m a year.

Italian shoe industry on verge of 'serious crisis'

THE ITALIAN shoe sector is "on the verge of one of the most serious crises it has ever known", according to Mr Natalino Pancardi, president of ANCI, the Italian National Association of Shoe Producers, Sari Gilbert reports from Rome.

Mr Pancardi made his remarks on Wednesday to shoe producers in Barletta, in Apulia, an important shoe-producing region where some 200 of Italy's 8,827 footwear producers are located.

He noted that from 1986-89, shoe production in Italy had plummeted by 25 per cent. He urged manufacturers not to be mislead by positive results registered in the first five months of 1990.

That period saw a 7.3 per cent increase in production and a 10 per cent rise in the number of shoes exported over the same period in 1989.

But because of what he termed a "structural crisis", the outlook for the second part of 1990, was extremely worrying.

Italy exports close to 80 per cent of its shoes, primarily to *industrialised countries.* It remains extremely vulnerable to variations in foreign markets as well as to exchange rate fluctuations.

Chile returns to US trade fold

CHILE will shortly be readmitted to the US trade benefit programme for developing *countries known as the Gener*alised System of Preferences (GSP), according to Mr Enrique Silva Cimma, the Chilean foreign minister, Leslie Crawford writes from Santiago.

Chile was expelled from the *GSP in 1987 for workers' rights* violations under Gen Augusto Pinochet's dictatorship. It has cost the country $200m in lost export orders.

Chile's new democratic government, which took office in March, had been *lobbying* Washington for the restoration of GSP benefits, which include preferential tariff rates for Chilean manufactured and semi-manufactured goods.

Mr Silva Cimma said he had received the good news from Mrs Carla Hills, the US special trade representative, on *Wednesday.*

He said 354 Chilean products, ranging from dried and canned fruit to ceramics, toys and copper concentrates, could now enter the US with lower import duties.

The US is Chile's most important trading partner. Exports have almost doubled in the past five years and totalled $1.46bn in 1989 – 18 per cent of Chile's total export earnings. Imports from the US *have also doubled* in the same period, standing at $1.35bn, 20 per cent of the total, last year.

The announcement comes just one week before President George Bush is due to visit Chile.

Soviet gas pipeline for Greece

By Kerin Hope in Athens

GREECE'S state-owned Public Gas Corporation yesterday signed a Dr27bn (£90m) agreement with a Soviet-led consortium for the construction of a 700-kilometre pipeline to supply major cities with Soviet natural gas.

The Soviet company, Machinoimport, will be responsible for welding the pipeline, to *run from the Greek-Bulgarian* border to Athens with branches to Salonica and other industrial centres.

A Greek company, Biokat, will undertake excavation and construction work. International Construction Engineers, a Soviet-British joint venture in which IMEG, the British pipeline specialists, are involved, will provide protective coatings.

The deadline for completion of the pipeline is spring 1993, when the Soviet Union is due to start supplying Greece with 1bn cu m of natural gas annually under a 1988 agreement.

Public Gas has already *signed a Dr12.5bn contract* with a consortium led by Dywidag of West Germany and Whessoe of Britain to build storage facilities for liquid natural gas on an islet off Athens' port of Piraeus.

LNG from Algeria will supplement the Soviet gas.

French law reforms cause foreign concern

Merger of legal branches might raise trade in services issues, reports **Michael Rowe**

FRENCH government plans to unify the country's legal profession in time for Europe's impending single market could make working in France more difficult for major foreign law firms and jeopardise the development of Paris as a top-ranking centre for business-orientated legal practice.

The proposed legislation, which should be adopted by Christmas, is drawing behind-*the-scenes protests from the* US Commerce Department and Trade Representative, and might eventually trigger references to Gatt and the EC.

The bill would lead to the merger of the two main branches of French legal practitioners, currently known as *avocats* (trial lawyers) and *conseils juridiques* (legal advisers). The resulting new breed of "super lawyers" – all called *avocats* – will be empowered to appear in court as well as to handle general advice work.

This move is intended partly to encourage existing firms to join together in larger, more competitive partnerships. The *scheme does not stop there,* however.

For the first time *avocats* are to be granted a monopoly over the provision of most legal services. As a result foreign lawyers hoping to practice in France will be required to qualify for the local bar, a condition that will apply even if the practitioner concerned does not intend to advise on French law or to appear in court.

In most instances the qualification procedure will involve detailed written and oral examinations set in French, though less strict rules should apply to EC nationals and to those from jurisdictions granting reciprocal access to French advocates.

Foreign law firms currently operating in France may have to change their legal form

In addition foreign law firms currently operating in France as partnerships in the English or North American sense may have to change their legal form to comply with the bill's procedural requirements.

At the same time clauses in the bill aimed at limiting outside ownership rights in law *firms registered in France* could both weaken and complicate the ties between a foreign legal practice and its Paris affiliate.

"The promoters of these provisions claim to be liberalising French legal practice but their rhetoric masks a basic protectionist impulse," reckons John H Riggs, a partner at the Paris office of White & Case – a multinational law firm with American roots.

Business-oriented French law practices have not built up international networks on anything like the scale of their US or British counterparts, and many now view with disquiet the rapid dismantling of European barriers.

At the same time provincial *avocats* fear domination by the generally better organised *conseils juridiques*, and have been looking for a sweetener to help them swallow the merger scheme.

Moreover the minority *socialist* government of prime minister Michel Rocard is not in a strong position to resist special pleading from powerful interest groups.

"A lot of French senators are *avocats* themselves, and some of these were no doubt happy to see restrictive measures inserted in the bill," suggests Mr Riggs.

Some European lawyers are almost as worried by the draft legislation as their US counterparts, though others are less concerned. "In many ways the merger will be useful to our practice, says Mr Yves de Mahenge, managing partner at the Paris office of Freshfields, a leading British firm of commercial solicitors.

"In the future we shall all be able to carry out every type of work for our clients from the initial advice on a deal to litigation, he adds.

"Except for transitional provisions for firms already established in France, English solicitors and lawyers from other EC states will have to sit some kind of aptitude test in French law before they can practice in France," comments Hamish Adamson, International Director with the Law Society – the solicitors' governing body – in London. "We do not yet know what exactly this test will involve but it may be difficult to reconcile such a measure with the relevant EC directive on recognition of diplomas." he adds.

French law firms have not built up networks on the scale of their US or UK counterparts

"We must not adopt a protectionist stance on this issue", remarks Mr Claude Colin, chief executive of KPMG Fidal, France's largest firm of business law and tax advisers. "If Paris is to maintain and develop its standing as an international business centre, we have to remain open to entrants from all the professions", he continues. "However what we would particularly stress to our colleagues in other countries is the overriding importance of reciprocity, and we would like them to get this message across to their own governments", he concludes.

American lawyers in Paris are saying that the French approach to reciprocity is like comparing apples with oranges. The main states in the US allow foreign lawyers to practice their own law there and to handle local law issues through local attorneys. The new French legislation allows *all lawyers admitted* to practice to carry out all types of work, but in return expects them all to satisfy broadly the same French standards.

Against this background several governments including Britain and the US, have made representations to Paris. The US in particular considers that the bill involves trade in services issues, and might be prepared to raise the question in Gatt negotiations. These considerations do not seem to have brought about any major changes in the French bill, though they might influence the way it is applied.

Michael Rowe is a Paris-based journalist specialising in business and finance.

INTERNATIONAL NEWS

● THE MIDDLE EAST

Kuwaitis ponder problems of liberation

Expelling the Iraqis will not end the emirate's difficulties, reports **Michael Field**

THE UN this week took custody of the Kuwait government's population records, which had been smuggled out on computer disks.

The gift was mainly a political gesture to embarrass Iraq. But it symbolised the fact that Kuwaitis are taking it for granted that they will win back their state.

Kuwait's government-in-exile, based in the Saudi mountain town of Taif, has established a Committee for Preparation for the Day of Return, comprising representatives of all Kuwait's ministries. They are studying how to restore Kuwait's services should the Iraqis have destroyed, for example, the desalination plants on which the country depends for its water supplies.

Officially, the priority is said to be reconstruction. But ordinary Kuwaitis are more interested in whether their future state will be more democratic.

Kuwait was always rather a free country by Arab standards, in which all citizens had access to members of the ruling al-Sabah family and where nobody hesitated to speak their mind – although newspapers were controlled.

However, twice in the state's 30 years of independence the al-Sabahs dissolved parliament, the last time in 1986.

Many Kuwaitis say they want to keep their ruling family, even though there is some resentment among those still in the country about its rapid flight on August 2. Restoration of the al-Sabahs is seen partly as a gesture of defiance to Mr Saddam Hussein, the Iraqi president. Kuwaitis also say that it was after all the al-Sabahs who founded the state in the 18th century.

Where the al-Sabahs are out of tune with popular sentiment is in their reluctance to implement in full the 1962 constitution. This stated that only laws passed by parliament are valid and that if parliament is dissolved, there should be elections within 60 days. The constitution limited the franchise to men whose families had been Kuwaiti for a generation.

When a cross-section of Kuwaitis was summoned to a conference in Jeddah last month, former opposition members felt that Sheikh Saad, the prime minister, was equivocal in endorsing the 1962 constitution. Most at the conference favoured extending the franchise and giving votes to women, who have been prominent in organising Kuwaiti demonstrations abroad. But Sheikh Saad said only that they should have a "say" in post-liberation Kuwait.

Some Kuwaitis worry about the fact that the resistance groups now in the country will be armed and could turn to violence if they object to the al-Sabahs' policies. This would give the rulers a pretext for stopping political change entirely.

They do not, however, foresee a long-term rift between those who stayed, suffering brutal occupation, and those who spent their exile sipping coffee in marbled hotel foyers in the Gulf.

The optimists' rationale is that Kuwait is a small, family-orientated society of only 700,000 citizens in which most families are interlinked. In the present crisis most Kuwaiti families have members who have left and members still in Kuwait, which should help *bind the two groups after liberation.*

Within Kuwait the different sections of society have united since the occupation. The unorthodox Shia community has done what a Kuwaiti minister in Taif called "a spectacular job" in the resistance and is now rather admired by the majority Sunnis. Hopes have therefore risen that the harmony of Kuwaiti society 20 years ago may return; a harmony which predated the rise of political Islam, the Iranian revolution, and the divisive Iran-Iraq war.

Nevertheless, the post-liberation government will face some big social and economic decisions. It must decide how to compensate Kuwaiti individuals and businesses for their losses.

The government's instinct will be to compensate as generously as possible, partly because this might deflect demands for political change.

For the last 40 years, one of the weaknesses of Kuwaiti society has been the popular feeling that no Kuwaiti should ever be allowed to lose money.

This has led to the government bailing out distressed companies, supporting share prices, guaranteeing banks' reserves, and paying billions of dollars into society through land purchases.

It has in turn produced an attitude towards business which is greedy, speculative and short-term, and has done much harm to the Kuwaiti economy.

Fortunately, more far-sighted officials feel there will be constraints on how soft-hearted the government can afford to be. The state's $80bn-$100bn of official reserves are already being reduced by payments being made to Kuwaitis in exile, the multi-national force, and countries damaged by the embargo on Iraq.

Reconstruction will need further billions, and, if oil production remains shut for some time after the liberation, the government may find limits on its generosity. But this may in turn change Kuwaitis' attitudes towards their rulers, and towards making money.

Australian GDP falls by 1.6% as recession bites

By Kevin Brown in Sydney

AUSTRALIANS finally heard confirmation yesterday of what everyone but the government has been saying for months: the country is in recession.

Real gross domestic product fell by 1.6 per cent in the three months to September, following a fall of 0.4 per cent in the June quarter, the Bureau of Statistics said.

The figures show an unambiguously weak economy. The September quarter recorded the lowest growth since the September quarter of 1975, and the two quarters together were the weakest six month period since March 1972.

GDP has now fallen in three of the last four quarters, and is down 0.7 per cent over the last 12 months – the first negative 12-month figure since June 1983.

Mr Paul Keating, the Treasurer (finance minister), said it was "the recession that Australia had to have" in order to curb its ballooning current account deficit, which exceeded A$20m (£7.8m) last year.

Mr Keating said the economy had suffered a harder landing than he had expected, but the worst was probably over. He said the recession would be shallower than the last recession in 1982-83, when GDP declined for four consecutive quarters and both inflation and unemployment topped 10 per cent.

Keating: harder landing

The economy was poised for a "sustainable recovery" with investment at historically high levels and inflation at 6 per cent, less than the average for Organisation of Economic Co-operation and Development countries.

"The government believes the economy has reached its low point in terms of production. There has been short-term pain for long-term gain," Mr Keating said. Most economists forecast the economy will begin to recover in the second half of next year.

The figures showed that farm GDP fell by 7.5 per cent, confirming that the recession is biting hardest in rural Australia, which has been hit by the collapse of prices for wool and wheat exports.

Non-farm GDP fell by 1.4 per cent, but much of the impact is likely to have been concentrated in Victoria, the second most populous state, where much of Australia's manufacturing industry is located. Victoria has also suffered from a spending cut by the state government following a sharp rise in public debt.

Some analysts said the government's claims that its tight monetary policy would reduce the current account deficit appeared to have been undermined by an increase of 8.4 per cent in imports compared to an increase of 0.6 per cent in exports.

However, imports were down by 4.4 per cent over the six-month period, compared to an increase of 3.8 per cent in exports. The short-term increase in imports was largely explained by the arrival of several civil aircraft and one-off government spending.

The figures revived speculation of a cut in interest rates before the New Year. Mr Keating was non-committal, but officials pointed out that official rates have been cut five times this year.

Mr Bernie Fraser, governor of the Reserve Bank, warned on Wednesday that reducing official rates too quickly could cause the economy to overheat when the recovery begins.

Mubarak set for election support

By Max Rodenbeck in Cairo

EGYPTIANS voted yesterday in a general election expected to produce a parliament strongly supportive of President Mubarak's pro-western policies.

A boycott by the three main groups opposed to the ruling National Democratic Party undercut government hopes that the poll would project an image of greater democracy.

Nevertheless, revised election rules allowing non-party candidates to run opened the field to more than 2,000 contestants, most of them independents. Smaller opposition parties were also expected to make gains. Results are expected today.

Following lacklustre campaigning focused on bread-and-butter domestic issues, voting was marked by the low turnout typical of a country inured to command politics.

Foreign policy, including Egypt's frontline role in the Gulf crisis, was notably absent from debate. But, in contrast to previous polls, government interference was reported to be minimal.

The boycotting groups, which include the Moslem Brotherhood and the conservative Wafd party, say that emergency laws enforced since 1981 and a constitution which keeps real power in the hands of President Hosni Mubarak cripples the opposition. But even government critics concede that political liberalisation has progressed in recent years.

Men of the US 24th mechanised infantry division speak with a Saudi government official who visited the unit on Wednesday

China profits from UN Gulf vote

By Peter Ellingsen in Peking

AS THE United Nations deliberated yesterday on the use of force to restore the sovereignty of Kuwait, China, which was once almost as unloved as Iraq is now, has confidently climbed back onto the world stage.

Qian Qichen, the foreign minister, is due to receive an official welcome in Washington today as the horror of the Peking massacre in June 1989 apparently fades.

The timing of the rehabilitation – just as the West was seeking to stave off a UN Security Council veto by China – is no coincidence. Nor is it chance that Peking has decided to launch legal action against June 4 dissidents during the week that its pariah status officially terminated.

Official notices in Peking yesterday announced that hearings had been held on charges against Zhang Ming and and Zheng Xuguang, two leaders of the democracy protests. Among other hearings also signalled is that of the case against Wang Dan, the top student protest leader.

The climb back was predicted by paramount leader Deng Xiaoping, who advised that "the West has a short memory." It has taken less than 18 months – with links restored with the European Community and Japan, China only needs a nod from the White House to reclaim its earlier international standing.

The Gulf crisis created the opportunity, and Peking has exploited it. In spite of its dislike of the UN resolution debated yesterday, China has used its position as a permanent member of the Security Council to trade leverage in the UN for an end to sanctions imposed after the massacre.

The Asian Development Bank, in which the US is a leading shareholder, yesterday granted China a $50m agricultural loan, its first to Peking since the crackdown on the pro-democracy movement.

Before he left Peking, Qian made it clear that, despite hedging from the US, he expected to be rewarded with an audience with President Bush. Dismissing US claims that policy banning official contact remained unchanged, he observed: "I don't see whatever differences there are between contacts and exchanges."

China, as Amnesty International has noted, remains a serious abuser of human rights, and if anything, has stepped up oppression, as this week's decision to indict up to about 12 leading dissidents shows.

Benn wins pledge for 15 hostages

By Our Foreign Staff

FIFTEEN British hostages who have been promised their freedom by Iraq after a visit to Baghdad by Mr Tony Benn, the Labour MP, are expected to return to Britain via Jordan on Sunday. They mostly gained their freedom on medical or compassionate grounds.

Mr Benn said he had told President Saddam Hussein that keeping westerners hostage would not protect Iraq from war. He said it served the US and British governments' purpose for Iraq to hold on to its hostages as they provided an excuse for war.

Yesterday the last five German hostages arrived home after more than three months in hiding in Kuwait.

Iraq is holding hostage more than 2,000 westerners and Japanese – including over 1,200 Britons.

Razor Gang prepares to slash public spending

New Zealand's new right-wing government plans drastic expenditure cuts, reports **Dai Hayward**

NEW ZEALAND MPs faced yesterday a cacophony of noise at the official opening of parliament as crowds protesting at the new government's plan to end equal pay for women banged pots and pans.

It was a noisy introduction to parliament for MPs, almost half of them elected for the first time, and perhaps an indication of future public reaction to government cost-cutting moves.

The decision to repeal the equal pay legislation, introduced by the former Labour government, is the first of these. The aim is to reduce the projected government deficit of NZ$2bn (£622m) this financial year and NZ$4bn next year by slashing government spending.

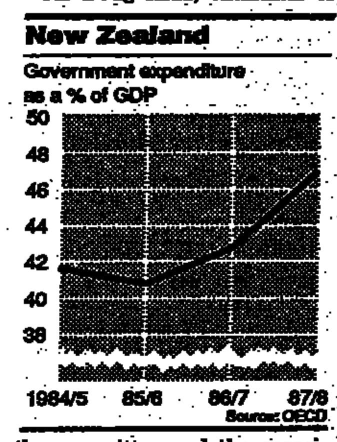
A team of seven senior cabinet ministers – known as the "Razor Gang" – is reviewing government spending. It has already suspended NZ$300m in various payments promised by the former Labour government during the election campaign or since the July budget.

Spending projects facing the knife include a new prison, environmental grants, subsidies for city sewage schemes, a training programme for black Africans, extending free dental care to 16 and 17-year-olds, writing off NZ$40m of Maori debt, land management schemes, health research initiatives, job creation schemes, a new police helicopter and education grants.

Ms Ruth Richardson, the finance minister, who along with Mr Jim Bolger, the prime minister, is a member of the Razor Gang – known officially as the Cabinet Expenditure Control Committee – has privately said she wants government spending reduced from its present 41.7 per cent of gross domestic product to the 1970 level of 30 per cent by the end of the decade. The aim, she says, is to control, reduce and finally eliminate the deficit during the National party's first three years in office.

The Razor Gang is not only looking to reduce spending. It also wants better value for the government's dollar through increased efficiency.

Mr Doug Kidd, chairman of the committee and the associate finance minister, has already warned of redundancies in the civil service. He hopes these will be less than the 15,000 civil servants who lost their jobs in the first year after the Labour government turned many government departments into state-owned enterprises. But Mr Kidd says: "There can be no sanctuary for anyone."



The first priority will be to reduce the cost of social welfare, which has increased by 114 per cent to NZ$493m since 1984. Mr Bolger is particularly anxious to identify "wasteful spending".

The government has already introduced a two-week stand-down period before those losing their jobs qualify for unemployment benefit.

Social welfare is the largest drain on government spending. It has almost doubled in the past decade to 13.3 per cent of GDP. Some fringe welfare benefits, such as rent assistance for single parents, are certain to come under close scrutiny. Cities planning new sewage schemes, badly needed in many areas, have had their plans thrown into disarray

Delaying payment of promised government funding has naturally brought protests from many organisations, particularly in education and health.

It is, however, the delay in funding for universities and tertiary education which has caused the greatest alarm. The previous government encouraged students to obtain higher qualifications, while universities and colleges were encouraged to expand. Funding for this was promised. Now the funds are on hold.

Educationalists claim this means students have been formally accepted for courses which may now not be available and construction has begun of new university and college buildings which institutions might not be able to afford after all.

The government hopes to have a clearer picture of what the Razor Gang will shave off spending before Christmas. Until then many institutions and organisations, ranging from tree-planting groups to health programmes, have to put their plans on hold – and hope for the best.

Indian authorities move to secure Assam tea estates

By David Housego in Guwahati

MR D.D. THAKUR, the governor of Assam who this week took over administration of the north-east Indian state following an eruption of secessionist violence, yesterday moved to secure the tea estates which account for more than half of India's tea production.

He gave assurances to Unilever, the international foods and detergents group, that adequate security would be provided for it to resume tea operations in the state. Security forces would patrol tea estates and guard executives. Unilever has evacuated 45 senior executives and their families from its valuable Doom Dooma estate because of terrorism by the separatist United Liberation Front of Assam (ULFA).

Brooke Bond and Lipton, both Unilever subsidiaries, are also boycotting the tea auctions in the state capital, Guwahati, where they traditionally buy more than half the tea on offer.

Since president's rule was imposed on Wednesday, the governor has called in the army to drive out the ULFA from the tea growing areas of Upper Assam where they have established a parallel administration.

Mr Thakur said the army had captured 48 militants in raids on ULFA training camps. Although the raids were described as a success by senior officers, in several cases the army appears to have reached the camps after the militants had escaped.

Much of Guwahati was blacked out last night in protest against the decision of Mr Chandra Shekhar, the prime minister, to bring the state under direct rule from Delhi and dismiss the state government. But the governor faces a challenge today with a one-day protest strike. He has told government offices and businesses to remain open.

NEWS IN BRIEF

Up to 50 killed in Bangladesh protests

THE DEATH toll in clashes between Bangladeshi paramilitary forces and opposition demonstrators was estimated variously yesterday at between 20 and 50 since President Hossain Mohammad Ershad declared a state of emergency on Tuesday, **Our Foreign Staff writes.** He suspended civil rights and imposed censorship of the local press and of news leaving the country. International telephone lines into the country from the UK remained unavailable last night, allegedly for technical reasons. Mr Ershad, who seized power in a bloodless coup in 1982, has faced a six-week opposition campaign to force him out.

French reinforcements for Chad

France is to reinforce its military contingent in Chad after fighting spread in the east of the country, **writes George Graham in Paris.** France already has around 1,000 military personnel in Chad as part of an operation begun in 1986 to help the government of President Hussein Habre stave off an attack by Libya.

Ronald Li loses plea for bail

Mr Ronald Li, the former chairman of the Hong Kong stock exchange who was last month jailed on corruption charges, yesterday lost his plea for bail pending appeal, **writes Angus Foster in Hong Kong.** His appeal against the verdict is due to be heard early next year. A separate trial, in which Mr Li, his son Alfred and six other defendants face corruption charges, has now been delayed until next October pending the appeal.

Vietnam cuts 500,000 state jobs

Vietnam, struggling to revive its economy, has laid off nearly half a million workers from state-run companies, **Reuter reports from Hanoi.** More than 20 per cent of state companies are to close because they are making a loss.

Mozambique adopts multi-party system

By Julian Ozanne in Maputo

MOZAMBIQUE, once one of Africa's redoubts of Marxism, today adopts a new constitution committing it to multi-party democracy and a mixed economy.

A seemingly intractable civil war, growing realisation that its adopted economic model did not work, and the upheaval in eastern Europe and the Soviet Union have brought fundamental change.

From midnight the People's Republic of Mozambique becomes simply the Republic of Mozambique, and the People's Assembly will be called the Assembly of the Republic.

The new constitution signals the end of the 15-year monopoly of power exercised by the ruling party, Frelimo, first under the late President Samora Machel, and since 1986 under Mr Joaquim Chissano.

Mr Chissano yesterday described the constitution as marking a new chapter in the history of Mozambique.

The new economic order, says the constitution, will be based on "the importance of labour, on market forces, on the initiative of economic agents, on the participation of all types of ownership, and action by the state as a regulator and promoter of economic and social growth and development".

It also guarantees freedom of the press and independence of the judiciary. The 74-page document marks a watershed in the transformation from one-party state socialism to political and economic pluralism.

Presidential and parliamentary elections are due in 1991. The assembly will meet next month to pass laws on the formation of new political parties, the electoral process and the media. Several opposition politicians have already established de facto political parties, issuing manifestos which criticise the government.

The constitution comes into effect as the third round of peace talks between the government and the right wing Renamo rebel movement enter their 20th day in Rome. According to western diplomats, progress is being made, raising hopes of a ceasefire.

The changes in Mozambique, which meet most if not all of Renamo's demands, can be traced back to a radical policy review undertaken in the mid-1980s, under Mr Machel. It was then that the government began to come to terms with its economic failures.

But without a resolution of the civil war a sustained economic recovery is impossible. And the real test for the new constitution will come when Frelimo takes on Renamo and other opposition parties at the ballot box, accepting that at stake is its hitherto exclusive grip on economic and political power.

Auction rumours hit Nigerian currency

By William Keeling in Lagos

THE VALUE of the Nigerian naira has fallen by 8 per cent in the last two weeks prompted by speculation about possible changes in the country's daily currency auction.

The naira has fallen from N8 to the dollar to N8.65 over the fortnight, against a decline over the preceding seven months of less than 2 per cent. Bankers predict it may fall by as much again before the year end.

Many dealers expect the 1991 budget, to be announced on January 1, will introduce changes in the rules governing the central bank's foreign exchange auction.

Banks participating in the auction are currently guaranteed an allocation of foreign exchange depending on the size of their overall assets.

The system is contentious and, as one banker explained, "was designed to benefit those with political influence rather than banking skill". It has come under increasing criticism, in particular from the Chartered Institute of Bankers of Nigeria (CIBN), the body which controls entry to the banking industry and is responsible for ethics.

In a memorandum to the government, the CIBN said the central bank auctions had "assumed a farcical nature...Participating banks have no incentive for communicating realistic bid rates. In effect, there is no competition whatsoever and so the prevailing exchange rates are not really market determined".

Many bankers believe that at the very least President Ibrahim Babangida will announce a modification of the system of guaranteed allocations.

Share prices tumble on Thai exchange

By Paul Taylor, Asia Business Correspondent, in Bangkok

THAI SHARE prices have tumbled again following a string of more sober economic projections, a controversial interest rate increase and concern about domestic political uncertainties.

The Stock Exchange of Thailand (SET) index has fallen below the 600-mark barrier this week for the first time in 18 months. In the first four days of trading this week the index shed more than 80 points or 12.6 per cent to close yesterday at 558.20, down 28.95, in thin trading. The Thai stock market capitalisation has now fallen by almost half since its peak at the end of July, before Iraq invaded Kuwait.

After the initial market collapse following the start of the Middle East crisis, the SET index had hovered around the 650 mark in recent weeks, prompting some analysts to begin to predict a rebound.

However domestic political and economic events in the past few days appear to have sent share prices into another downward spiral. Probably the most important negative news for the market was the central bank's announcement last Friday that it was pushing up domestic interest rates by lifting its official interest rate ceilings on loans by 2.5 percentage points to 19 per cent.

Mr Vigit Supinit, the Central Bank governor, and Mr Viribongsa Ramangkura, Thailand's finance minister, have since been forced to defend the move in Cabinet.

The interest rate rise, designed to slow credit expansion and dampen inflationary pressures in the overheated economy, has also coincided with some less rosy projections from both private and public sector economists about the future prospects for exports, tourism growth and other sectors of the Thai economy including property. The recent share price sell-off has been led by financial and property stocks.

In addition, domestic investors appear to have been unsettled by the latest round of political bickering between the coalition government and the powerful military, and a landslide victory for an opposition candidate in a weekend by-election. In contrast stock market analysts say foreign investors have not been big sellers in recent days.

COMMERZBANK OVERSEAS FINANCE N.V.

11½% £-Stg. 25,000,000.– Bonds of 1983/1990 · Redemption on December 15, 1990

In accordance with Article 5 (a) of the Terms and Conditions of the Bonds notice is hereby given that the last redemption instalment will be due. The following 9,000 single Bonds will be redeemed at par on December 15, 1990.

[illegible]

The Bonds will be paid at Commerzbank *Aktiengesellschaft, Frankfurt/Main (Principal Paying Agent)*, Commerzbank Aktiengesellschaft, London, Commerzbank Aktiengesellschaft, Brussels and Commerzbank International S.A., Luxembourg. Bonds shall cease to bear interest as per December 14, 1990. Coupons as per December 15, 1990 will be paid separately.

Unclaimed Bonds: Up to now there are still Bonds of the redemptions as per December 15, 1988 and 1989 not presented for payment.

Netherlands Antilles, November 1990

Commerzbank Overseas Finance N.V.

AMERICAN NEWS

OECD REPORT ON THE US ECONOMY

Short-term optimism is marred by medium-term misgivings

Sluggish growth is unlikely to result in a serious recession, writes **Michael Prowse**, but there is deep concern about structural deficiencies

THE Organisation of Economic Co-operation and Development's latest report on the US economy is a mixture of short-term optimism and medium-term misgivings.

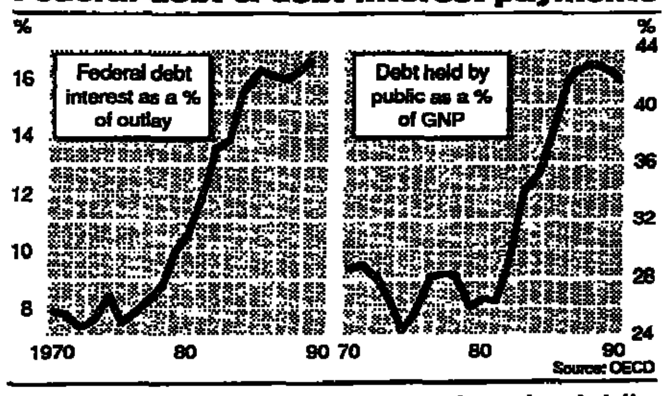
The Paris-based group forecasts a period of very sluggish growth but expects the US economy to avoid serious recession. However, it points to a series of deep-seated structural problems that deserve urgent attention.

The single most important priority, it says, is to reduce the fiscal deficit and thus raise national savings and future living standards. But it also recommends a wide range of tax reforms and other measures to improve the efficiency of the public sector

The OECD expects growth to slow almost to a standstill in the second half of 1990 before picking up to an annual rate of about 1 per cent in the first half of next year. Domestic demand will remain very soft but output will be sustained by the buoyancy of exports, which are forecast to grow at a real rate of about 8 per cent over the next six months.

The unemployment rate could rise to about 6.5 per cent by the end of next year, compared with 5.5 per cent this year. Assuming an oil price of $27 a barrel, consumer price inflation is expected to rise to 6.7 per cent next year, compared with 5.4 per cent this year. But the deterioration will be temporary, with inflation falling back to 5 per cent by the end of 1992.

Federal debt & debt interest payments



There will be little immediate progress in reducing the large trade and current account deficits. The OECD expects a trade deficit of $113bn next year compared with $106bn this year. But it says there could be an improvement in the non-oil external account over the next few years, helped by weak domestic demand and dollar depreciation.

The current account deficit is expected to decline gradually as a percentage of GNP – to 1 per cent in 1994 compared with 1.7 per cent this year.

The OECD remains relatively sanguine about short-term economic prospects for two reasons. The first is that US companies have been careful not to allow a build-up of unsold goods: the ratio of inventories to sales is low compared with the historical average. Sharp declines of output in recessions usually reflect big cutbacks in inventories.

The second ground for optimism is the relative steadiness of the "core" inflation rate, which reflects flexibility in the setting of prices and wages – and the success of monetary policy in heading off a build-up of excess demand.

The OECD refuses to become too alarmed about the alleged fragility of the banking system. It finds little evidence of a "broad-based squeeze on credit" and notes that with the expansion of the commercial paper market, banks anyway now supply less than a quarter of net borrowing.

Bank balance sheets, having recovered substantially from the problems associated with third world debt and from the oil and agricultural price collapses, do not appear to be "so weak as to suggest an impending credit crunch".

It says the risks from corporate leverage are exaggerated. US companies' reliance on debt finance has been "modest compared with other industrial countries" while the debt-to-equity ratio measured at market values has been on a downward trend during the 1980s. This reflects the strong rise in the stock market in the past decade.

But although the OECD is fairly optimistic about the short-term outlook it remains deeply concerned about the US's longer-term structural problems. It says there is an urgent need to increase domestic savings by reducing the federal budget deficit and advocates a range of tax reforms and other measures to improve the public sector's efficiency.

Including the costs of the savings and loan bail-out, it forecasts a federal budget deficit of $241bn next year, falling to $145bn by 1994. The forecast was made before the budget accord between the White House and Congress but assumes similar cuts in the deficit, at least in the initial years.

It points out that the build-up of debt, as a result of past deficits, is the main reason for the continuing red ink. The primary deficit – the balance net of debt interest – is already in slight surplus and non-interest spending, at 19 per cent of GNP, is below the high of 20.5 per cent of GNP reached in 1985.

The US tax base still contains substantial distortions, the report says, despite the achievements of the 1986 tax reform. There is a particularly strong case for a reform of corporation tax. The present regime imposes a double tax on corporate dividends, thus encouraging the use of debt rather than equity finance.

OECD SHORT-TERM FORECAST FOR US
Percentage changes from previous period, seasonally adjusted at annual rates, volume (1982 prices)

	1989	1990*	1991*	1990 I	1990 II*	1991 I*	1991 II*
Private consumption	1.9	0.7	−0.0	0.3	−0.2	−0.3	0.7
Government consumption	2.3	2.4	1.5	3.8	1.6	1.9	0.5
Private fixed investment	1.6	−0.6	0.4	0.4	−3.6	−0.0	2.0
Residential	−4.0	−4.2	−4.2	2.0	−12.0	−3.0	2.0
Non−Residential	3.9	0.8	0.9	−0.1	−0.5	1.0	2.0
Final Domestic Demand	1.9	0.8	0.2	1.0	−0.4	0.2	0.9
Change in stockbuilding†	0.0	−0.3	0.1	−0.5	−0.1	0.1	0.1
Total domestic demand	1.9	0.5	0.3	0.5	−0.5	0.3	1.0
Exports of goods and services	11.0	7.4	7.4	7.8	7.9	8.6	8.3
Imports of goods and services	6.0	3.8	2.9	2.5	3.8	2.5	3.0
Change in Foreign Balance†	0.5	0.5	0.8	0.7	0.6	0.9	0.8
GNP	2.5	1.0	1.1	1.2	0.1	1.2	1.8
Consumer prices	4.5	5.4	6.7	5.6	6.6	7.3	5.7
Industrial production	3.3	0.9	1.0	0.8	0.5	0.7	2.0
Unemployment rate	5.3	5.5	6.4	5.3	5.8	6.3	6.5

Projections as of 1 October 1990 †As a percentage of GNP in the previous period

The OECD also recommends measures to reduce the tax bias in favour of consumption, although it admits that some measures, such as the removal of interest deductibility for home mortgages, would be difficult to implement.

Its most radical recommendations is that the US ought to consider introducing a general consumption tax along the lines of the value added taxes levied in Europe. Failing this, the US should at least consider a broad-based energy tax, which would be consistent with its environmental goals.

A lengthy section of the report focuses on the US public sector, which the OECD believes is badly in need of reform. It says public-sector efficiency could be improved by achieving a better balance between federal, state and local operations. It favours greater decentralisation, arguing that the trend towards centralisation in the late 1960s and 1970s has still not been fully corrected.

It says the primary and secondary education system is "inefficient and costly" and disappointing in terms of scholastic achievement. This is partly because the system is "too bureaucratic". Poor performance in international league tables reflects the fact that US students spend fewer days in school, do less mathematics and spend less time on homework.

The OECD is also highly critical of US health care. It says the US spends 38 per cent more per capita on health care than the next most costly system, which is Canada's, but has relatively high infant mortality and a life expectancy that is no better than average. Initiatives to improve the situation are "badly needed", it says.

In general the report says that if limited resources are to be focused efficiently in the public sector, greater attention needs to be paid to "organisation and motivation, and the identification of objectives, so as to ensure that benefit-to cost ratios are improved".

Editorial comment, Page 22

Spending power eroded

October personal income and consumption data show that inflation pressures are eroding consumers' purchasing power and spending, setting the US economy up for negative fourth-quarter growth, analysts said, Reuter reports from New York.

Nominal personal income rose just 0.1 per cent last month, and personal consumption spending was unchanged.

But after adjusting for inflation, real disposable income, which comes after taxes, fell 0.5 per cent – the third straight monthly drop. And real consumption spending, which reflects about two-thirds of gross national product, slid 0.7 per cent.

Inflation pressures have accelerated in the wake of Iraq's invasion of Kuwait, which sent oil prices surging. Consumer prices last month rose 0.6 per cent after a jump of 0.8 per cent in August. The rise in inflation, in turn, has hit the economy and eaten into personal income.

Right-wingers take aim at White House domestic policy

By Peter Riddell, US Editor, in Washington

A BITTER argument has developed between Mr Richard Darman, the US budget director, and conservative advisers in the White House over the direction of the administration's domestic policy.

The White House said yesterday that President George Bush backed Mr Darman after Congressman Newt Gingrich, House Republican whip, said he should resign unless he recanted on a recent speech seen as attacking the conservatives and their ideas.

The immediate focus is over what should be in the budget and State of the Union message in two months. Conservatives such as Mr Jack Kemp, the housing and urban development secretary, and White House officials led by Mr James Pinkerton, the deputy head of policy planning, have urged that Mr Bush should adopt a radical agenda so he can recapture the initiative after the battles over the budget of the summer and autumn.

These advisers have pressed an initiative based on the concept of "empowerment", including such policies as providing vouchers for education and tax credits for child care, turning public housing over to private ownership and allowing greater tenant control over management.

In his speech Mr Darman warned against "a premature rush" to new ideas implemented without testing and evaluation. In particular he described the "new paradigm" – a series of new policy initiatives being developed by Mr Pinkerton – as pretentious. Mr Darman called the conservative agenda "neo-neo-ism" and, in a swipe at Mr Gingrich, the "new Newt-ism".

Conservatives have also been angry with Mr Darman for his role in persuading Mr Bush to accept tax increases in the budget package.

California debate on $1bn emergency spending cuts

By Louise Kehoe in San Francisco

CALIFORNIA'S Governor George Deukmejian has called the state's legislature into special session to debate $1bn in emergency cuts in the state's $55bn (£28bn) budget.

Immediate action is essential to avert a budget deficit in the current fiscal year, the governor claims. State tax collections have unexpectedly fallen $408m below projections over the past four months and the California Commission on State Finance has projected a $4.3bn budget shortfall in the fiscal year beginning July 1.

The revenues shortfall was blamed on a continuing slowdown in the economy and rising petrol costs as a result of the Gulf crisis.

Mr Deukmejian said the state could lose its triple-A bond rating if the legislature did not bring in cuts quickly.

Last week, he imposed a 1 per cent across-the-board cut in state spending and froze hiring and equipment purchases.

Signs that Brasília will be more flexible in negotiations

Brazil wins $250m in IADB loans

By Stephen Fidler, Euromarkets Correspondent

BRAZIL has won $250m (£127.5m) in loans from the Inter-American Development Bank and was expected yesterday to be granted a further $450m in project loans from the World Bank.

Approval of the loans by the boards of the institutions was delayed by US concerns that Brazil's growing arrears on debt to foreign banks and governments were getting out of control.

The release of the loans comes ahead of the visit by President George Bush to Brazil on Monday, amid signs that the Brazilians are willing to be more *flexible in negotiations* with commercial banks.

Brazilian officials have resumed negotiations this week with main creditor banks, led by Citicorp. The banks have insisted that some of the more than $8bn in interest arrears due to them should be paid before a comprehensive debt restructuring deal can be negotiated on.

Brazilian officials, which have hitherto refused to pay interest before an agreement with the banks is reached, gave indications this week that *they would soften that position.*

The 20-year IADB loan for $250m was to encourage private sector development across a number of industries. The World Bank's board was meeting yesterday and expected to agree to $450m in project loans.

The US appears to be satisfied that it has made its point on the arrears and to see a gesture as appropriate before the Bush visit. But the delays worried some shareholder governments, which did not believe the dispute over Brazil's payments to banks should be extended to project loans by the IADB and World Bank.

Mr Bush will visit Brazil as part of a Latin American tour to promote his Enterprise for the Americas trade initiative, unveiled this summer. The tour follows talks this week between Mr Bush and President Carlos Salinas de Gortari of Mexico, aimed at providing an impetus for talks on a comprehensive free trade agreement between the two countries.

Friends and neighbours help clean up at a farm in Duvall, Washington state, after record floods in western Washington over the weekend. Authorities estimated that up to 450 head of cattle died.

Officers call for Pinochet to step down

A GROUP of army officers is calling on Chile's former military strongman General Augusto Pinochet to step down as commander-in-chief because of a corruption scandal, a Chilean legislator revealed late on Wednesday, Reuter reports from Santiago.

Gen Pinochet is not directly implicated in the complex scandal, which forced him to retire four generals and cashier 16 other officers.

The scandal centres on allegations of racketeering and an illegal loan syndicate run by army intelligence officers who belonged to Gen Pinochet's now disbanded secret police.

A congressional committee is also investigating a payment of $3m (£1.5m) to the general's son, Augusto Pinochet Junior, *for the army's acquisition of a* bankrupt arms making company.

The officers seeking Gen Pinochet's resignation, in an anonymous letter to the general signed only "Members of the army", said the service's reputation was being damaged by a corrupt high command.

They also threatened to reveal information which they said could send Gen Pinochet to jail if he did not resign.

The letter was published in full on Wednesday in an official parliamentary request from Deputy Carlos Dupre for an investigation by Mr Patricio Rojas, defence minister.

Referring to allegations of corruption within the army still under Gen Pinochet's command, the letter said: "We feel a moral obligation to say 'That's enough'."

"We feel betrayed by the man [Pinochet] we followed with eyes shut, who we thought only sought the good of the country and the [army]. But we realise... the only thing that worries him is to keep his image and stay proprietor of the army."

Politicians said they were convinced the letter was genuine, although they said that they were not sure of the extent of the backing it had in the army.

It represents the harshest attack on Gen Pinochet from within the ranks since he handed over power to an elected centre-left government headed by President Patricio Aylwin in March.

Venezuelan inflation rate drops

By Joseph Mann

VENEZUELA'S inflation rate, which exceeded 80 per cent in 1989, a record, has declined sharply this year as the economy pulls out of a severe *downturn.*

According to the central bank, inflation stood at 28.2 per cent for the first 10 months of this year, compared with more than 75 per cent for last year's corresponding period.

Officials expect inflation to reach between 32 and 34 per cent for the full year. They also see a modest recovery in gross domestic product following a 8.3 per cent contraction in 1989.

At the same time, the central bank reported that the *country's international monetary* reserves reached $9.35bn (£4.77bn) at the end of October, up more than 26 per cent from year-end 1989. Central bank officials expect reserves to climb to about $10bn by the end of this year.

Higher international petroleum prices have contributed to Venezuela's reserve accumulation.

Government officials also estimate that private capital repatriation during the 1989-90 period has topped $2bn.

The administration of President Carlos Andrés Pérez began a five-year term in February 1989 and almost immediately ordered the implementation of a tough economic reform programme.

The Inter-American Development Bank recently announced approval for a $300m 20-year loan to the Venezuelan government to finance the restructuring of *government-owned companies.*

The loan, which has a five-year grace period, is aimed at helping state-owned companies improve efficiency and profits.

Last month the Washington-based development bank granted another $300m 20-year loan, with five years' grace, to the central bank under a programme to reform the country's financial sector.

Venezuela is also receiving more than $600m in loans from the World Bank as part of a co-finance scheme for both of these sectoral reform programmes.

Caracas moves to reform old labour laws

By Joseph Mann
in Caracas

THE Venezuelan Congress this week approved a controversial reform of the nation's labour law to replace a patchwork of legislation that dates back to the mid-1930s.

The newly approved Organic Labour Law Bill will raise costs significantly for businesses in Venezuela and was fiercely opposed by Fedecamaras, the nation's largest association of industrial and commercial groups.

The bill must be signed into law by President Carlos Andrés Pérez. Although Mr Pérez has criticised some elements in the measure that will harm his economic reform programme, he is expected to reject calls to veto the bill. However, he noted that the law could be changed later.

The precise effects of the reform, introduced under the last government by a former president, Mr Rafael Caldera, have not yet been quantified, but business sources have estimated general labour cost increases at between 20 to 40 per cent.

The reform provides a range of new benefits for most Venezuelan workers, including a shorter work week, longer maternity leaves, and government oversight of trade unions. One of the most hotly debated issues concerned treatment of accumulated severance benefits for workers.

Businessmen warned that the new law could lead to general lay-offs and fewer job opportunities for women of child-bearing age. It will also promote a trend in Venezuela towards employment in the *growing "informal" economy.* But organised labour has already said that, if widespread redundancies occur, they will demand a government freeze on firings.

Group of Three energy fund

By Joseph Mann

THE oil-producing countries of Colombia, Mexico and Venezuela will establish a $500m (£255m) fund to finance energy integration projects, both for themselves and for others in the region, according to Mr Reinaldo Figueredo, Venezuela's minister of foreign relations.

The three nations, which make up a regional body called the Group of Three, will fund the new initiative themselves. They plan to provide the $500m from the increased oil export revenues they are receiving as a result of the Gulf crisis.

The Group of Three, conceived to forward economic and regional integration, has discussed the possibility of linking up energy systems (oil, natural gas and electric power) to create mutual economic benefits and provide insurance against future energy shocks.

The three governments also plan to obtain money from the Inter-American Development Bank to supplement future projects.

Campbell Soup ponders pitfalls of free trade pact

By Bernard Simon in Toronto

CAMPBELL Soup's Canadian subsidiary has provided a *graphic account of how the US-*Canada free trade agreement is forcing Canadian companies to become more competitive or face a severe loss of business to their US rivals.

Campbell's chairman Mr David Clark told the annual meeting in Toronto that the FTA, which came into force in January 1989, has already forced big changes in operations, including the closure of several *plants in Canada*, the acquisition of companies in related fields and the adjustment of various product lines.

Like many other companies in both Canada and the US, Campbell is also increasingly treating the two countries as a single market. Although the Canadian company is still a separate entity listed on the Toronto stock exchange, it now *functions as an operating division* of its New Jersey parent.

Mr Clark said internal studies found that Campbell's best Canadian plants were 30-40 per cent less productive than its most efficient US factories. As a result, production of several items, such as fried chicken dinners, has been transferred to plants south of the border.

Campbell now has only four plants in Canada, compared to 11 five years ago. Those sold or closed have included mushroom farms, an Ontario chicken operation and a pasta factory in Quebec.

On the other hand, the company has expanded its soup and frozen delicatessen interests in Canada. Three factories in Canada have been designated to serve the entire North *American market.*

The Canadian food processing industry has long been recognised as among the most vulnerable to the changes brought about by the FTA. A controversial supply-management system for poultry, eggs and dairy products has kept the industry's raw material costs well above US levels. With tariff barriers now being dismantled, US goods are *becoming more competitive* in the Canadian market.

Mr Clark said: "Being the best food company in Canada was insufficient. Now, we must compete in a larger North American market and the competition is entering Canada with products we have never seen before."

London rejects EC shipping proposal

A PLAN for ships to sail under a European flag would "compound the mischief" of flags of convenience, a House of Lords committee said yesterday.

The plan comes from the European Commission which wants a Community ship register whose ships would fly the European flag.

But the idea was rejected by the House of Lords Select Committee on the European Communities in its report entitled Community Shipping Measures.

Shipowners can register their vessels under foreign flags of convenience and operate them under less strict regulations.

Opposing the EC plan, the committee said flags of convenience had proliferated.

The report went on: "The Community should not compound the mischief.

"The committee sees the proposed Community Ship Register (EUROS) as a new kind of flag of convenience, based on its financial attraction rather than on legal responsibility for enforcing standards."

The committee also called for an urgent review as to whether common language requirements for ships' crew were adequate for safety.

Such a review was essential as many ships were crewed by sailors of different nationalities and the committee was concerned to learn that "it might not be unusual" for there to be no common language.

The Lords committee members' views echo those of the seamen's leaders who expressed concern at the EUROS plan at the TUC conference in Autumn.

MONEY SUPPLY

Fresh rumours on interest rate cut

By Peter Marsh, Economics Staff

THE supply of money in the economy has entered a steep rate of decline since the summer, underscoring the severity of the recession, according to City of London estimates based on Bank of England statistics released yesterday.

The money-supply statistics led to renewed speculation in financial markets about an imminent cut in the 14 per cent base rate.

According to the estimates, M0, the narrow measure of money in the economy almost totally comprising notes and coins fell in the three months to the end of November by 2.3 per cent on an annualised, seasonally adjusted basis. That would be the steepest decline in this number since mid-1982.

On a year-to-year basis, M0, the only monetary indicator targeted by the government, increased by 3 per cent to the end of November, according to the estimates.

This would mark the fourth month running in which the annual rate of M0 growth has been within the government's range of 1-5 per cent. The number grew in October by 4 per cent and in September, by 4.6 per cent.

Despite the new evidence that demand pressures in the economy are easing, it is thought that Mr Norman Lamont, the new chancellor of the exchequer, will resist making an early move to ease borrowing conditions – largely because of the weak position of sterling within the European exchange rate mechanism.

Reflecting the speculation about an early interest-rate cut, gilt-edged securities rose by half a percentage point after the estimates became available in mid-afternoon, while sterling dipped. The pound closed last night in London at DM2.9225, down about half a pfennig on the day. Against the dollar, it lost about 2 cents to close at $1.9535. Yesterday's estimates are based on figures from the Bank on the rise in the volume of banknotes in the economy during November.

Security and car auction company ADT raises £89.6m out of airport share sale

End signalled to golden share campaign

By Richard Gourlay

ADT, the Bermuda-registered security and car auction company, yesterday sold a 4.6 per cent stake in BAA, the airports owners and managers, in a move that signals an end to its efforts to persuade the government to relax its grip on a golden share in the privatised company.

The sale of the 23m shares raised £89.6m for ADT and will be "applied in further enhancing its net liquid resources," the company said in a statement. The company would make no further comment.

ADT still holds 17m shares in BAA, the former British Airports Authority which runs Gatwick, Heathrow and five other airports. However, holders of a bond launched last April to refinance ADT's BAA stake have the right to exchange their bonds for these shares if BAA's price rises to 441p.

BAA, which was privatised in 1987, is protected from takeover by the government's "golden share" and a 15 per cent restriction on any single shareholding.

At the last Annual General Meeting, however, Mr Michael Ashcroft, the ADT chairman, tried to summon support for changes in BAA's articles to allow larger single stakes and secure a set on the board.

Any change in the articles would have required not only approval of BAA shareholders but also modifications to the golden share which could only have occurred with the support of the then Transport secretary, Mr Cecil Parkinson.

BAA's share price fell yesterday by 12p to 392p and ADT lost 2.5p to 108.5p.

Analysts yesterday interpreted Mr Ashcroft's move as recognition that ADT would not be able to shake the government's view of its golden share.

Analysts said Mr Ashcroft had probably decided holding his 9 per cent stake in BAA represented too long term an investment and had taken advantage of the recent upturn in the market.

The ADT stake was taken by Smith New Court and BZW in a bought deal and placed throughout the market over a period of 25 minutes, ADT said. No prices were revealed but the placing was understood to have been at 389p, the company said.

Analysts expect ADT will have made a small profit on the sale, helped by exchange gains and the fact that ADT's annual accounts are reported in dollars. Lex, Page 20

● BAA employees at Heathrow Airport are due to meet today to discuss possible industrial action over non-payment by the company of a profit-related pay bonus, write Diane Summers and Paul Abrahams.

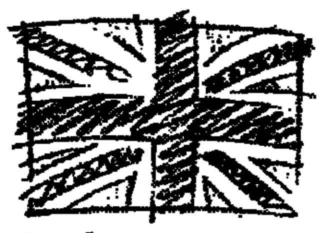
The six unions representing 4,000 security, technical and administrative staff are angered that they will not get the bonus, in spite of a 10 per cent rise in pre-tax profits to £205m for the group for the six months to 30 September.

Heathrow Airport Ltd is a wholly owned subsidiary of BAA, formerly the British Airports Authority. The company said yesterday that Heathrow had failed to meet profit targets agreed with unions last year.

Overall group performance was not taken into account when it came to calculating bonuses, the company said. Figures for the performance of individual companies within BAA are not published separately. However, unions claim that Heathrow provides 55 per cent of group profits.

Commercial activities at Heathrow were adversely affected by the slow-down in the world economy, according to BAA. The economic slowdown has resulted in a fall in passenger growth rates from 10 per cent earlier this year to between 2 and 3 per cent in recent months. The strong pound has also affected duty and tax-free sales. In addition, the airport has had to bear increased security costs following the Lockerbie bombing.

BRITAIN IN BRIEF



Agip gets approval for oil field

Agip, the Italian oil company which is part of the ENI group, received government approval for development of the Toni oil field in the North Sea.

The field contains 40m barrels of oil, which is small by North Sea standards. It will be developed with subsea equipment that will be tied back to a platform Agip is building for its Tiffany field. Production is expected to start in the autumn of 1993.

Man shot in Ireland

A Catholic businessman was shot dead in north Belfast just hours before the Government mounted a new anti-terror drive.

The 39-year-old father-of-four was hit twice in the back as he opened up a glazing showroom he managed in the city. He died instantly.

The victim was the 72nd person to be murdered in Northern Ireland this year. Half of them have died in the past two months.

State aid denied to shipyard

Appeals for state aid for the threatened Cammell Laird shipyard to help it build catamarans in competition with a subsidised French rival were rejected by Lord Hesketh, an industry minister.

Cross-party concern was shown over French government subsidies to CCM shipbuilders of Cherbourg.

Investment in property low

The state of the property investment market in the UK is at a record low for the second quarter running, according to statistics by Hillier Parker, chartered surveyor.

The average property yield, a measure of the reluctance of investors to put money in property, rose by 0.3 per cent to 9.0 per cent in the quarter to November. The yield – the ratio of annual income to capital value – has risen by 1.4 per cent over the past year.

Hope high for Belfast meeting

A meeting of the Anglo Irish conference takes place in Belfast today amid hopes that some way forward has finally been found to allow talks between the constitutional parties in Northern Ireland. Moves by Mr Peter Brooke, the Northern Ireland Secretary, to hold such talks have run into problems over the insistence of both the Irish government and the mainly Roman Catholic Social Democratic and Labour Party that Dublin should be involved in round table discussions.

Sir Frank Figgures

Sir Frank Figgures, who has died aged 80, was a former secretary general of the European Free Trade Association (Efta) before returning to the Treasury to become second permanent secretary in 1968.

He will be remembered primarily for being the first and last chairman of the Pay Board from 1973-1974, where he administered the conservative government's pay code. This was designed to enforce wage restraint and set pay structures to rights after the wages standstill.

His most satisfying posts, however, were at the Organisation of European Economic Co-operation in Paris, where he worked between 1948-1951 at the secretariat formed to administer the Marshall Plan after the second world war.

Sir Frank Figgures: civil servant

British Coal cuts 700 jobs

British Coal announced plans to close its loss-making Creswell colliery in North Derbyshire with the loss of at least 700 jobs.

Creswell miners were warned in July that the colliery, which lost around £1.5m in 1989, was under review. In August Creswell miners were told they would have to boost productivity by 8,000 tons to 18,000 tons, if the mine was to survive.

Brokers boycott insurer

Insurance brokers are to boycott General Accident, the UK composite insurer, following the company's refusal to discuss calls to end its underwriting of insurance schemes for car makers. Perth-based GA says has operated a scheme with Ford, which offers car buyers free insurance policies.

Ford is one of a number of motor manufacturers which have been offering free insurance as a means of boosting sales.

Spending divide narrows

The richest fifth of the population spent £128 per person each week last year. The poorest fifth spent only £50 each according to the Central Statistical Office's survey of family expenditure for 1989.

The survey also showed that regional differences persist. Average weekly household expenditure was highest in the South East at £251, and lowest in Yorkshire and Humberside, at £189, but the CSO said the "North-South divide" in spending has narrowed.

Food, the most basic necessity, took up a third of expenditure in 1953, according to the CSO. Now it accounts for less than 20 per cent of what families spend. Instead, people spend double on transport.

High Court rules on Rover

The Government's legal action to claw back £44.4m in alleged "sweeteners" it paid when it sold the Rover Group to British Aerospace for £150m in 1988 has been suspended by a High Court judge.

Mr Justice Ognall said that the case should await the decision of the European Court of Justice on a challenge by BAe to the European Commission's ruling in July that the payments were unlawful state aid in breach of the Treaty of Rome.

Sheffield to have trams

Sheffield is to become the second city in Britain to have a modern tram system following a decision by the Department of Transport to inject the necessary funds.

Mr Roger Freeman, minister for public transport, spoke of "substantial" government support to enable the £230m Supertram project to go ahead. The decision is subject assurances about the costs of the project.

Britain lags far behind many other European countries in adopting tram and light rail schemes as a solution to urban traffic congestion.

Bradford redundancies

John Foster, the Bradford-based wool textile group, announced 80 redundancies from its 840-strong workforce.

The job losses form part of a restructuring programme at Foster which, under its new senior management team, is attempting to return to profit. The company last week announced it had fallen into heavy losses in the first half of its financial year.

Road traffic bill revealed

The Department of Transport has published its Road Traffic Bill, possibly the most controversial piece of its heavy legislative programme in the coming session.

The first part of the bill cracks down on drink driving and bad driving and the second part introduces new measures for traffic management in London, including the so-called "red route" network of roads on which parking will be strictly banned.

هكذا مزج الأجيال

Thatcher puts in ghostly appearance on the backbenches

By Ivo Dawnay, Political Correspondent

The moment one walked into the Commons gallery it was clear that something was wrong. There were all the usual crowd. Dennis Skinner and Bob Cryer – the would-be comics on Labour's opposition benches – were in their customary places.

Anthony Beaumont-Dark sat opposite, looking as always like Pinewood Studio's standard issue Tory. Then just behind him....there was a ghostly apparition.

A shudder coursed down the gallery's collective spine. It was – the prime minister, or rather Mrs Thatcher, the Iron Lady, the conqueror of Eastern Europe, of Galtieri, was seated there in the obscurity of the backbenches.

The sight was as awesome and as chilling as a first sighting of Banquo's ghost.

Her position was wrong, stranded a million miles from the government bench as inappropriately placed as a Duchess in the servants hall.

Already rumours of her unfamiliar location had spread like scandal through the press rooms and lobbies. Speculation had long been running high as to exactly where she would sit.

When onlookers entered the gallery their eyes searched the chamber for her. And when they found her, they swivelled straight to the front bench to check the she was not a motionless double installed as a tasteless joke.

Then came the second shock. For there on the government seats in place of the familiar features were the blond locks of the regicide-in-chief, Mr Michael Heseltine.

Dumbstruck as all were by these changes, prime minister's question-time itself passed altogether unremarkably. Billed as a championship fight, it turned out like a playground squabble.

Boisterous shouts of "Resign," were followed by unctuous congratulations. Mr Kinnock batted the poll tax across the net, and Mr Major batted it limply back. 15-Love to the opposition.

A smattering of single European currency was served and returned with no particular enthusiasm. Then the new prime minister was asked if he was his own man and, if so, how would his policy differ form that of his predecessor?

It was that sort of day. But for most eyes, the inescapable drama was the silent star marooned across the chamber.

Prime Minister puts Europe at top of agenda

By Philip Stephens, Political Editor

MR JOHN Major, the new prime minister, put policy towards Europe and the poll tax at the head of his agenda yesterday as he sought to defuse criticism among Tory MPs of his decision to appoint an all-male Cabinet.

Amid surprise at Westminster that Mrs Lynda Chalker, a foreign office minister, had failed to win promotion in Wednesday's reshuffle, Mr Major gave Mrs Gillian Shepherd a middle-ranking post at the Treasury.

The announcement of Mrs Shepherd's elevation from the department of social security came after Mr Major had been forced to defend in the House of Commons his decision to preside over the first all-male Cabinet since 1964.

In his first appearance at prime minister's questions, Mr Major insisted that his government would offer "top positions" for women, but promotion would be on the basis of merit.

With Tory MPs voicing surprise that the new prime minister had not anticipated the criticism, there was speculation last night that Mrs Chalker could be offered more wide-ranging responsibilities when he completes his ministerial changes today.

Mr Major's debut at prime minister's questions saw Mrs Margaret Thatcher sitting on the backbenches of the chamber for the first time in over 15 years.

The air of unreality which still hung over Westminster after the upheavals of the past few weeks was reinforced by the re-appearance of Mr Heseltine on the front bench for the first time since 1986.

The new environment secretary, whose challenge to Mrs Thatcher ended her 11½ year tenure in Downing Street, sat just a few paces from Mr Major exchanging pleasantries with other cabinet ministers.

During a workmanlike, if sometimes hesitant performance, Mr Major repeated his opposition to the "imposition" of a single European currency and central bank advocated by Britain's partners.

But as work got underway in Whitehall ahead of next month's conference in Rome on economic and monetary union, ministers said that he was preparing to adopt a markedly less less strident tone than his predecessor.

Mr Douglas Hurd, the foreign secretary, is pressing Mr Major to approve the publication of a comprehensive government paper on European integration to take some of heat out of the debate within the Tory party.

Facing the first of many confrontations with Mr Neil Kinnock, the Labour leader, Mr Major said that the planned review of the poll tax would be "thorough, constructive and fundamental".

Mr Kinnock, however, insisted that the only effective reform of the tax would be its abolition.

A week is a long time in politics: Mrs Thatcher, pictured yesterday, on the backbenches in the House of Commons

Heseltine intends to make poll tax pill easier to swallow

By Alison Smith

"I have a lot of catching up to do," Mr Michael Heseltine said yesterday as he began his new job as the minister with responsibility for making the poll tax more palatable for British voters.

Mr Heseltine, who challenged Mrs Thatcher for the leadership and was appointed environment secretary by Mr Major, hopes to catch up quickly. He has spent months preparing his options for reviewing the poll tax – the controversial new charge levied by local government to pay for amenities and services.

His leadership campaign gives an obvious clue to his intentions: he thinks the tax should be more related to ability to pay.

Officials themselves have already concluded that any such move would have only limited impact on bills because it would have to be phased in gradually to avoid adding too much to public spending.

The immediate priority for the review will be what changes can be made for next year's bills.

In May, Mr Heseltine was clear that none of the extra money made available to ease the burden on local government – the so-called safety net – should be withdrawn next year, and that the transitional relief arrangements should be improved and expanded with greater references to actual charges rather than notional spending.

Reassuringly for Tory MPs in seats in marginal seats, Mr Heseltine's priority even beyond next year's bills seems likely to be to ensure the greatest political effect from relatively small amounts of money.

The application of the poll tax to the elderly living at home with their families, where they might otherwise have to go into homes is, he has said, "a negation of Tory principles", and he has also noted that maximum unpopularity has been achieved for little financial return in charging the physically disabled, student nurses and students.

These last ideas fit in with work that has already been carried out, on how those on the lowest incomes, who at present have to pay 20 per cent of the local charge, could be exempted completely.

There has also been consideration of a surcharge which could be levied on higher rate tax payers. But Mr Heseltine himself said earlier this year, that any move towards ability to pay would involve crudities which could be criticised. But, he added "these will be criticisms from those who have prospered mightily under this government."

Number 10 opens its doors to a new breed of advisers

MR John Major made it clear at the start of his campaign to become Conservative party leader that he wanted to be known as his own man, writes our economics staff.

Now he is prime minister, however, the men and women he relies on for advice and information will move out of the shadows.

He is no prima donna. At the Treasury his style was in marked contrast to his predecessor, Mr Nigel Lawson. He consulted widely inside the Treasury and without, instead of with a small coterie of cronies.

He is expected now to surround himself with advisers in his own image – grafters who think carefully before making decisions.

Mr Major, unlike Mrs Thatcher, has not surrounded himself with gurus or ideologues. "There are no Rasputin figures at his elbow," one official said this week.

If anything the criticism goes the other way – that the breadth of his contacts inside and outside politics makes it difficult to judge which particular policy he will opt for.

Some have suggested the new administration will be dull, with Mr Major selecting men and women with management or academic backgrounds who reflect his own sense of classlessness.

The prime minister has, however, acted shrewdly in taking Mr Gus O'Donnell, his spokesman at the Treasury, to be his press officer. Mr O'Donnell has won the admiration of his superiors and his clients in the press by steering an open and honest course since taking over the Treasury press office in July 1989.

In the world of economics, Mr Major is known to think highly of Professor Mervyn King, who will shortly take over as chief economist at the Bank of England; Mr Bill Robinson, director of the Institute for Fiscal Studies, and Mr Gavyn Davies, chief UK economist of Goldman Sachs. During his term as chancellor, he established warm relations with Mr Robin Leigh-Pemberton, governor of the Bank of England.

The arrival of a new prime minister and the likelihood that many of Mrs Thatcher's close advisers will be leaving has inevitably attracted a long list of people hoping for preferment. One name to watch is Mr Andrew Tyrie, a political adviser in the Treasury for three years until this September, when he left for a research post at Nuffield College, Oxford. Mr Tyrie, aged 33, is understood to be on the short list for an adviser's job.

Mr Graham Mather, general director of the Institute of Economic Affairs, the free-market think-tank, is a long-shot candidate to be another Downing Street adviser.

Both say that Mr Major's quiet approach gets results. "His style is to listen attentively to what people are saying and ask a few penetrating questions," Mr Tyrie says. "He has a quite exceptional ability to handle people. He can defuse tension in a difficult meeting just by sitting down for a moment with someone and calming him down."

Another economist recalled that Mr Major displayed a reflectiveness rare in politicians. "When he became chancellor, he mastered his brief quickly and thoroughly. And he regularly used to spend a couple of hours alone in his room thinking."

The image Mr Major portrays in public is one of almost superhuman charm and courtesy. But he has been known to show anger in meetings at the Treasury, according to officials.

Mr Mark Call, who worked for Mr Major for two years as an adviser in the Treasury says he can sometimes be "excessively cautious – but it has done him no harm so far".

He thinks Mr Major will "grow into" his new job. "If someone like George Bush can become president of the US, then I am sure that John will make a decent PM."

FT LAW REPORTS

Company is entitled to proportion of group relief in accounting year

SHEPHERD v LAW LAND PLC
Chancery Division: Mr Justice *Ferris*: November 23 1990

GROUP RELIEF against the surrendered losses of a company in a group in a particular accounting year is limited in proportion to the period in which, in that year, arrangements subsisted whereby during or after that year the company could cease to be a group member, or could become controlled by a person outside the group.

MR JUSTICE FERRIS so held when dismissing an appeal by the Revenue from a special commissioner's decision that Law Land plc was entitled to group relief in respect of £234,466 trading losses surrendered by its subsidiary, Mercure Centre SA.

Section 29 of the Finance Act 1973 provides: "(1) If, apart *from this section, two companies* . . . would be treated as members of the same group of companies and – (a) in an accounting period which ends on or after March 6 1973 one . . . has trading losses . . . eligible for relief from corporation tax . . . and (b) arrangements are in existence by virtue of which, at some time during or after the expiry of that accounting period – *(i) the first company* . . . could cease to be a member of the same group . . . or (ii) any person has or could obtain . . . control of the first company but not of the second.

Then, for the purposes of . . . group relief, the first company shall be treated on and after March 6 1973 as not being a member of the same group . . ."

MR JUSTICE FERRIS said that Law Land was incorporated and resident in the UK.

Mercure was incorporated in Belgium but was resident in the UK for tax purposes.

Throughout its accounting period ending March 31 1983 Law Land owned all the shares in Mercure. Accordingly, Mercure was a "75 per cent subsidiary" of Law Land within the meaning of the Taxes Act 1970.

In the year to March 31 1983 Mercure made a £234,466 trading loss. Mercure surrendered that loss to Law Land. Law Land claimed the benefit of the loss by way of group relief for the year to March 31 1983.

The tax inspector disallowed the claim on the ground that it came within section 29 of the Finance Act 1973. A special commissioner upheld the claim. The Revenue appealed.

One form of abuse of group relief was to create a special share structure under which a loss-making company became a 75 per cent subsidiary of another company which desired to take advantage of its losses, when in economic reality, that loss-making company was effectively a subsidiary of a different company which had no profits or insufficient profits against which the losses could be offset.

It was common ground that sections 28 and 29 of the 1973 Act were enacted to prevent abuse of group relief.

Section 29 applied to the present case. It provided that if arrangements existed by which *during or after an accounting* period ending on "or" after March 6 1973 "(b)(ii) any person has or could obtain . . . control of the first company but not of the second", then the first company should be treated on "and" after March 6 1973 as not being a member.

On January 6 1983 Law Land granted to an unconnected Belgian company and its subsidiaries *(the AG group) a series* of options under which the AG group was given the right to acquire all the shares of Mercure. Those options were exercisable until February 14 1983.

The options lapsed. The shares in Mercure remained the unfettered property of Law Land during the rest of the year ending March 31 1983.

It was common ground that the options in favour of the AG group were *arrangements of* the kind referred to in section 29(1)(b)(ii). Both parties accepted that the statutory fiction imposed by the last few lines of section 29(1) ["then . . . the first company shall be treated on and after March 6 1973 as not being a member of the same group"], applied to some extent.

The issue was whether the existence of the "arrangements" between January 6 and February 11 1983 required Mercure to be treated under section 29(1) as not being a member of the same group of companies as Law Land throughout the year ending March 31 1983 (as the Revenue contended), or only during the five week period in which those "arrangements" subsisted (as Law Land contended).

The words "on or after March 6 1973" which appeared towards the end of section 29(1), were referred to in argument as the "the date words".

At first sight the section looked as if the date words were defining the period from which the de-grouping was to *have* effect.

Both parties agreed that could not be the correct meaning of section 29(1). Soon after the 1973 Act was passed the Revenue issued a statement to the effect that section 29 would not be operated in that way.

It was common ground that the date words were to be read only as words of commencement of the new provisions, not as words defining the period in which the de-grouping was to be treated as having effect.

Having regard to the absurdity which would result if the opposite view were taken, it was right to accept that common view of the language.

Mr McCall for the Revenue argued that Mercure was required to be treated as not being a member of the same group as Law Land throughout *the year ending March 31 1983.* He submitted that "in an accounting period which ends on or after March 6 1973", which appeared at the beginning of 29(1)(a) applied to the subsection as a whole, not merely to the circumstances described in paragraph (a).

On that footing, he said, the consequences introduced by the last few lines, beginning with "then, for the purposes *of . . . group relief*", applied throughout that same accounting period. He handed up a reformulated version of section 29(1) to illustrate that reading of the provision.

The main alterations made by Mr McCall were to delete paragraph (a), apart from the opening words referring to an accounting period ending "on or after March 6 1973"; to delete the date words; and to alter the concluding part of the subsection, so that it read "then . . . the first company shall be treated as not for the time being a member of the same group . . ."

While it would undoubtedly *achieve Mr McCall's purpose* if the subsection were read in that way, that result was arrived at only by re-writing the subsection rather than construing it. As a matter of language, "in an accounting period which ends on or after March 6 1973" applied only to paragraph (a) and not to the subsection as a whole.

The whole problem in the case arose from the fact that once the date words were explained as mere words of commencement, the concluding words did not say during what period the fictional de-grouping was deemed to have effect. It was merely self-serving to alter the words "not being a member of the same group" to read "not for the time being a member of the same group".

Mr Milne for Law Land attacked Mr McCall's construc*tion of section 29 as a re-writ*ing of the subsection which, in effect, rejected the whole of paragraph (a) as surplusage apart from the reference to an accounting period after March 6 1973.

Mr Milne's main positive argument on section 29 was that, the date words being explained as mere words of commencement, the consequence provided by the con*cluding words of section* 29 could apply only while the statutory pre-conditions were satisfied. By statutory pre-conditions he meant the conditions prescribed in paragraphs (a) and (b).

While no arrangements of the kind referred to in section 29(1)(b) were in existence that statutory pre-condition was not satisfied.

Mr Milne's arguments were *correct. His approach to the* language of section 29(1) was preferable to that of the Revenue. It did no violence to the words or structure of the subsection and avoided anomalies which would arise if the Revenue were correct.

The appeal was dismissed.

For the Revenue: Christopher McCall QC (Inland Revenue solicitor). For Law Land: David Milne QC (Travers Smith & Braithwaite).

Rachel Davies
Barrister

MANAGEMENT

Budgeting at ICI

In anticipation of a downturn

Simon Holberton continues this series by examining the actions taken by the UK chemicals multinational when it realised it would have to confront the dilemma of rising costs and falling demand

The question of whether the UK is in recession may be a fine technical point for Norman Lamont, the new Chancellor, but for senior managers at Imperial Chemical Industries the issue is not whether the country is in a recession but how severe it will be.

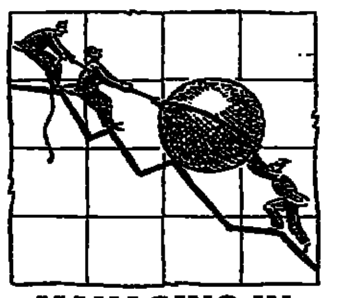
Well before the Gulf crisis and the strengthening of the pound managers had noticed that ICI was being hit at its gross margin; costs were rising but the company was unable to raise prices because demand was weak.

The finance men at ICI's headquarters at Millbank in London, alert to this, have spent the past 12 months poring over planned expenditure, both fixed and long-term, and have identified areas of ICI's activities ripe for pruning.

An early result of this work led Sir Denys Henderson, the company's chairman, to announce in Tokyo in early October that ICI planned to lop at least £100m off planned capital spending of £1bn in 1991.

By the end of October when he announced the company's third quarter earnings, Sir Denys also mentioned that a strict control was being kept on other current costs as well. Divisional managers, who presented themselves at Millbank for the company's ritual "hell fortnight", which ended last Friday, got an even tougher time than usual; head office sought real cuts in spending.

ICI earned pre-tax profits of £1.5bn in 1989; this year pre-tax profits look like coming in at around £1bn. With uncertain economic conditions both in the UK and abroad, the reasons



MANAGING IN RECESSION

for the cuts were not about protecting this year's earnings but next year's and beyond.

"If we continued with planned capital expenditure it could have developed into a worrying situation," says Alan Clements, ICI's finance director, who notes that ICI's capital spend next year would be in the range of £800m to £900m.

"With profits falling off and internal cash generation affected, if we had allowed capital expenditure to continue growing we would have run into a worrying situation where we spent more than we were generating internally. That would have made it difficult for us to take advantage of acquisitions that may come along. So we decided to cut capital expenditure and make sure we were really investing in what was worthwhile."

Clements says the process by which ICI set about cutting capital expenditure entailed trying to "get a feel" for what was in the spending pipeline. This meant letting the planners and finance people crawl through the proposed capital expenditure programme.

They then attempted to sort out what were essential expenditures for the growth businesses ICI wanted to be in, in the long term. "If growth does not look that good, then what will that do to cash generation within the business? Therefore, what cut will get capital expenditure back to a level we can live with?"

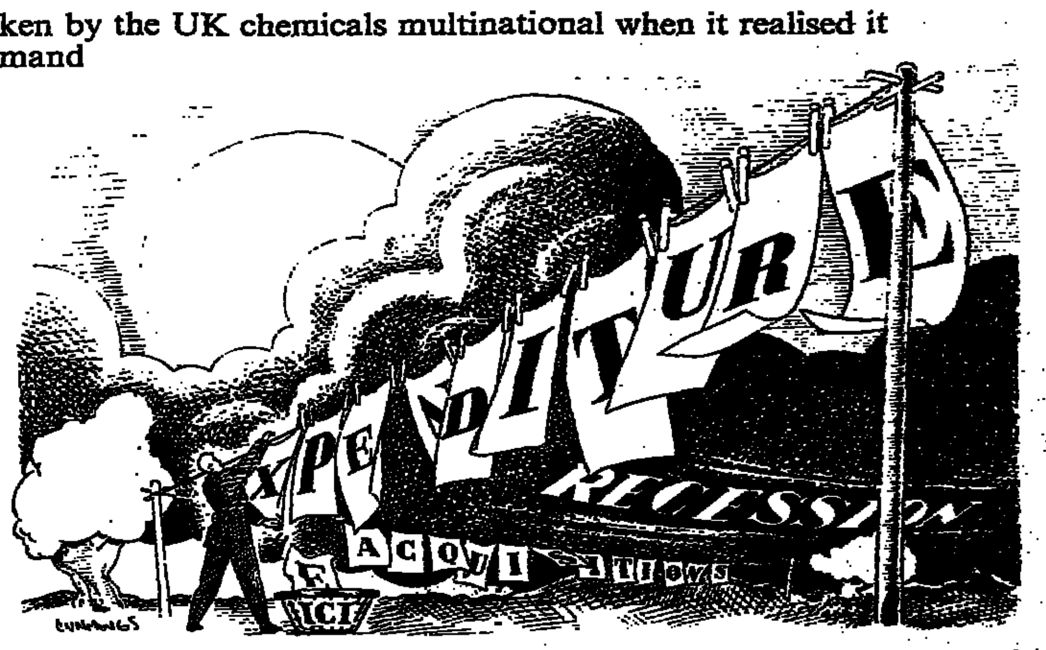
These questions were framed with the maintenance of balance sheet strength in mind. In the end they came down to how big could the capital expenditure bill be so that in a year or two the company's gearing and interest cover would still be affordable? "We did the figures on what we could afford to spend without letting interest cover [how many times pre-tax profits cover interest on borrowings] slip below 5 or 6 times," says Clements.

He says that cutting investment has not been easy. ICI's capital expenditure budget is split into two components: big ticket investments which require headquarters approval; and, "maintenance and sustenance" expenditures which can be made by divisional chief executives without referral to Millbank. The former account for about 40 per cent of ICI's capital expenditures, the latter the remaining 60 per cent.

In the early 1980s ICI made deep cuts in its capital expenditure programme as part of the cost savings necessary to see it through that recession. Authorised spending was cut from £546m in 1979 to £241m by 1982. Those cuts had two principal consequences for expenditures in the future.

"A lot of equipment needs heavy capital expenditure to keep it going because replacement expenditure was not kept up in the early 1980s," says Clements. "On top of that growing problem, a lot more expenditure was needed to satisfy safety, health and environmental requirements.

The way in which ICI recovered from the last recession has also had consequences for managers today faced with another recession. The company embarked on a growth-through-acquisition strategy – Beatrice Chemical, in 1984, Glidden, the paints company,



in 1986 and Stauffer, speciality chemicals, in 1987 – and during this period headquarters agreed with divisional managers "quite ambitious strategies" which included not only how the strategies would be financed but possible further takeovers as well.

As ICI hit a period of slowing growth a year ago it became apparent that its fixed costs were rising at a faster rate than inflation. "We had too many growth strategies," says Clements. "Once they were allowed to start they embedded a higher level of fixed cost in the business."

In March 1989 Millbank began to realise that these growth strategies were too ambitious. A review was conducted, the central theme of which was, was the company still on its strategic path? "No, we were not. We had dropped below the growth path in terms of profits, everything, and managers were not meeting their milestones" – a method of management-by-objective whereby business plans are defined in terms of achievable goals in the future.

"In November 1989 we had quite an exercise in the 1990 budget meetings. We said that we would accept the divisional managers' budgets for 1990 but said that we would never [illegible] if the business units were [illegible] of achieving targets. [illegible] thought that their [illegible] getting higher prices and [illegible] was not achievable."

Although some costs were clawed back, ICI allowed its managers to try to achieve the volume and price plans they had made. But, throughout this year, the headquarters view that those goals were too ambitious was validated, and many managers failed to keep to budgeted costs.

Yet, lurking behind the discussion of cuts in investment and fixed costs is ICI's concern about the stock market and the way it evaluates the company. ICI cut its dividend in 1980 and the market's savage response to that event is seared on the minds of the company's top executives.

It has taken ICI until 1989 to get its dividend to a level which returns it to the path it would have been on (allowing for inflation and some real growth) had it not cut its payout in 1980. It would be highly unlikely for ICI to cut its dividend from the 55p a share level reached last year.

"We have struggled [illegible] to get the shares fully appreciated, to get the appropriate rating," says Clements. "The dividend has become an important ingredient in getting the right rating. [The City] is looking at the drop in profits without looking at the spectrum of the whole chemicals business. They are critical and the dividend is important in holding the share price even where it is."

The first article in this series was published on November [illegible]

No place for the get-rich-quick merchants

Judy Dempsey assesses a report which warns companies entering eastern Europe that rewards will have to be earned

If foreign companies want to establish a good reputation in the countries of eastern Europe, they should stop thinking about making quick profits in the short-term and should pay far more attention to the quality and price of the product.

These are some of the conclusions reached in a report drawn up by Seigel & Gale, the international corporate identity consultants.*

But the report, which is based on interviews with 51 managers of Hungarian industrial and service companies, adds a note of warning to anyone wishing to invest in any of these countries. "When trying to establish a positive reputation in Hungary, western companies fail by their lack of commitment and the 'get rich quick attitude'."

Several of the newly elected governments in eastern Europe would not be surprised by these findings.

Officials, and the fledgling business community in the capitals of Warsaw, Budapest, Prague and Bucharest have repeatedly argued that western companies are using eastern Europe for its cheap and skilled labour market.

Furthermore, they say that western companies think they can dump low quality goods in these countries, make a quick profit, and then move on. Together, these attitudes tend to reinforce deep suspicions among the population that western capital is exploitative and cares little for the needs and outlook of this vast market.

More conservative and cautious officials in the countries of eastern Europe believe that their country's national assets will be under-sold to foreigners simply because these countries are in desperate need of capital as a means of rebuilding their infrastructure and modernising their industry.

Unfortunately the report fails to take into account, let alone explain, the political, social and economic background which influences these governments.

A solid introduction would have been helpful for the potential investor. The report could have been useful, too, in giving some idea as to the kind of businesses in which the Hungarian managers were involved.

The ambiguous and often lukewarm views towards foreign companies are confirmed by those Hungarian managers who were interviewed. They believe that western companies are not interested in establishing a positive reputation in the country, because, as 16 per cent believe, foreign companies want to get rich quickly.

And because foreign investors have adopted a short-term commitment, they have, in turn, neglected the way in which they promote their products in these countries.

Nearly a third of those interviewed said the price and the quality of the product was more important than service. Yet, as the report implies, these criteria have often been neglected by foreign investors.

But probably one of the most revealing findings of the report is the preference by Hungarians for doing business with particular countries.

West Germany is the most preferred because of its "accuracy, punctuality, excellent products with suitable prices. West Germans keep to the rules, they are reliable, good businessmen ... and have the highest technical standards in Europe." West Germany is Hungary's largest trading partner and German is often Hungarians' first foreign language. Swedish investors receive similar praise.

But what about Great Britain, and Austria, Hungary's neighbour?

Hungarian managers think British products are "reliable, of a good quality, but a bit clumsy"; the business community is "excessively cautious", although they are very good partners with high professional skills. However, prices are "very high ... and standards are medium."

Despite the fact that Austria has the most joint ventures with Hungary, Hungarians think that the Austrians are "calm, balanced, reliable but petty-minded people". Its industry is "five years behind in technology .... but they are good partners with a common history and mentality ..."

But what colours these perceptions of the west European business community is the product and the way in which foreign investors market them in eastern Europe.

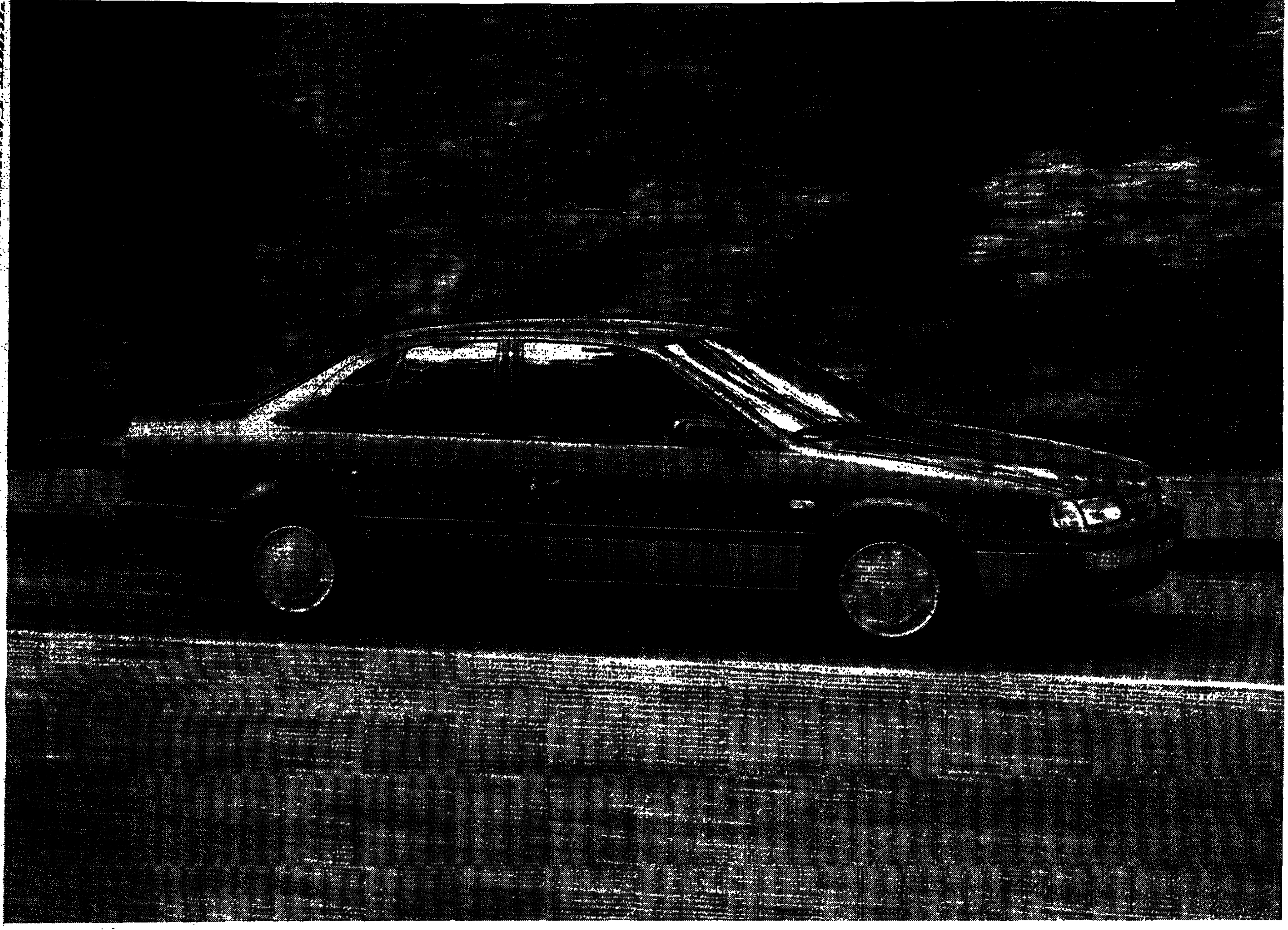
The east European consumer is obsessed with famous brands. Mercedes, Volkswagen, Siemens and BMW, the top brands in the west German market, are widely known throughout Hungary. But Great Britain is characterised by Rolls Royce, cars which are largely inaccessible to any consumer in eastern Europe.

Thus, if foreign investors want to make an impact in eastern Europe, it is time they revamped their image.

Over 76 per cent of those interviewed said seminars, exhibitions and the physical presence of these companies in the country have the biggest impact. Personal contacts will win confidence and friends. A long-term commitment will win respect and loyalty.

**Not yet one Europe: a research project into the need for customised marketing in eastern Europe. From Seigel & Gale, 27 Fitzroy Street, London W1.*

Nissan Primera. Compare this to what you call comfort.



Nissan announces the Primera.

A car that, before being introduced, has spent the past several years being tried, tested even tortured all over Europe.

A car that in fact was built for only one, much more important, confrontation. Its meeting with you (you could say the Primera was built to be compared).

Let's step inside and compare the Primera on comfort. There's sufficient space in the Primera's interior to allow you, your passengers and all their luggage to really stretch out.

And this you can experience in "fatigue-free" seats which can be adjusted to suit every need.

But comfort isn't merely a question of seats. Cockpit and dashboard are designed for a better view, better operating controls and less hassle.

WARRANTY 3 YEARS OR 100.000 KM

The completely new Multi Link Front Suspension system then guarantees you incomparable comfort on roads that go from poor to worse to worst.

All this to assure you of driving pleasure on distances that go from short to medium to long.

However the Primera was not created as an advancement over other cars merely in terms of its comfort.

Its performance, its styling, its quality-all are designed to stand up to your scrutiny.

As you realise as you match the performance of its 16 valves in every Primera gasoline engine with your own.

And as you sit back and think about the bumper-to-bumper 3 year warranty we give you.

And your comparison is not only true for the four door sedan but also for the five door hatchback and station wagon.

There now seems to be only one question left unanswered: when would you like to compare the Primera?

NISSAN

Nissan Primera.
The new performance car for a country called Europe.

THIS MODEL IS A NISSAN PRIMERA SLX. ALL SPECIFICATIONS MENTIONED ARE BASED ON THE MODEL SHOWN AND SUBJECT TO POSSIBLE CHANGES.

THE PROPERTY MARKET

Banks braced for heavy refinancing

By Vanessa Houlder

AS A worldwide credit squeeze takes the place of the lending splurge of the late 1980s, the attitude of banks has never been so important to the property market.

How many companies will be put in receivership? How large are the banks' losses and what impact will these have on lending policies in the 1990s? Will new developments be limited to conservative projects by the most established property companies?

Until the Gulf crisis is settled, answers will be in short supply. However, an indication of bankers' current thinking on these problems is provided by the annual survey of property lending carried out by Woolgate Property Finance.

This is a poll of 65 international banks responsible for about £10bn of outstanding debt. It excludes the UK retail banks which are responsible for some 45 per cent of UK property lending, but covers nearly half of the remaining lenders.

Its findings veer from the pessimistic to the surprisingly optimistic. On the downside, the banks are gloomy about the investment market, resigned to heavy refinancing and bracing themselves for £2.8bn of write-offs. On the upside, twice as many banks (38 per cent) expected to increase their commitments to the sector as decrease them.

The explanation for this apparent willingness to throw good money after bad may lie in the relatively high margins on property loans. In the view of Mr Rupert Clarke, managing director of Woolgate, banks under pressure from the capital adequacy rules are less likely to withdraw from property than lower-margin business.

It may also reflect the differing fortunes of the banks involved. US banks, which tended to make project loans to small developments across the country, may have taken a heavier brunt of the losses than Japanese banks, which took shares in large projects that have better kept their value. Half the 10 Japanese banks polled wanted to increase property lending.

Even so, the result should not necessarily be taken at face value. For one thing, those responding to the questionnaire in London may be unaware of the current thinking of the lending committees at head office in Tokyo or New York. One Japanese bank has changed its mind since the survey was completed. "Particularly in Japan, things are moving quickly," says Mr Clarke.

For another, fewer banks filled out the survey than last year. It may be that the 54 banks that declined to take part in the survey have a less-enthusiastic approach to new property lending. It should also be noted that 73 per cent of the expected increase in lending would be for investment, not development.

In any case, reduced competition and concern about the risks of lending to property have sparked a sharp increase in interest margins, which are estimated to have risen by 30 per cent in the past year. Eighty one per cent of those surveyed expected them to go up further and no one expected them to go down.

Moreover, the banks are highly selective about the projects to which they lend. Residential property, city offices and business parks are out of favour where development finance is concerned. A majority of banks is also reluctant to lend money on residential investments.

The bank lending total is likely to go up, as committed funds are drawn down. The banks said their outstanding loans represented 67 per cent of commitments. If applied to the Bank of England's figures on property loans, the poll suggests that the banks' total commitment to property companies is some £55bn.

If the banks once thought they would get their money back quickly, they think differently now. Sixty two per cent of the banks' portfolio will be refinanced, according to the survey. By contrast, 16 per cent will be bought by UK institutional investors and 22 per cent by foreign investors.

The banks' low expectations of investor interest is echoed in their gloomy views on the market's recovery. Sixty seven per cent of banks say that the investment market will not start to improve for at least 18 months. Only five per cent expect any improvement in the next six months.

***

Is London's position as Europe's top business centre under threat? The proud boasts of Paris and Frankfurt as the focus of Europe moves eastwards, have caused a degree of disquiet among those contemplating London's overstretched transport system and expensive office space.

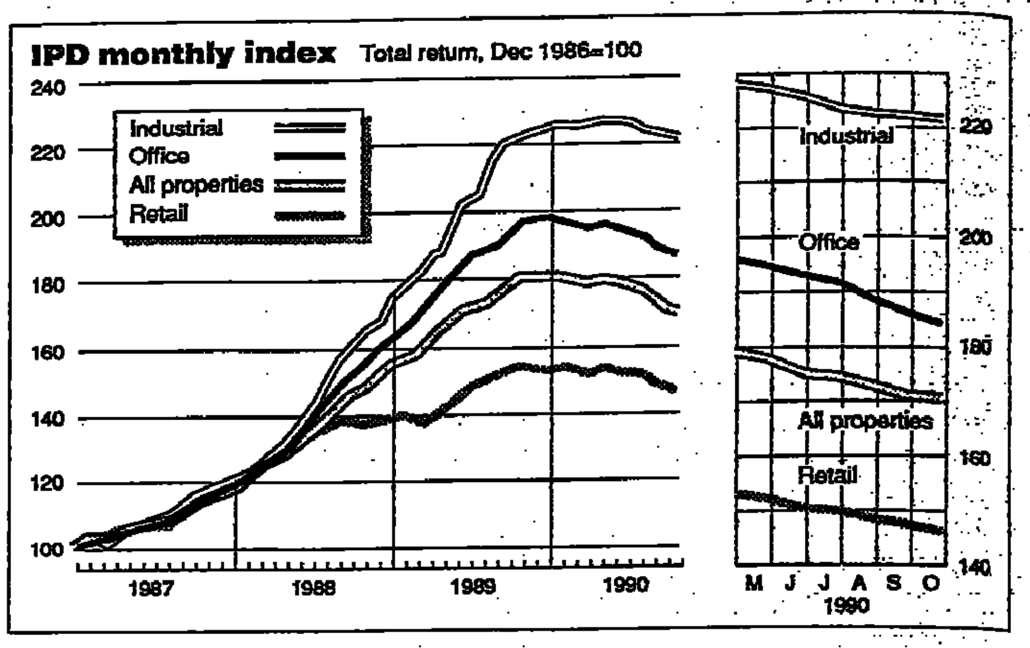
So the results of a new survey which confirm's London pre-eminence will be greeted with interest – and a sigh of relief from from the banks and developers which have chanced their arms on speculative office buildings. However, the survey – commissioned by Healey & Baker – also highlights the strengths of continental cities.

The survey of senior management of large companies – which was carried out by Harris Research – puts London first in overall popularity. It also described it as the most likely financial centre of Europe five years from now, in front of Frankfurt. Its advantages were easy access to markets, good telecommunications and low cost of skilled labour.

Paris was considered to offer the best quality of life for employees, and it also beat London on transport infrastructure. Brussels came fourth overall, but was voted the best city in terms of languages spoken and availability of office space. In five years time it is expected to be the most important political centre of Europe.

Frankfurt is deemed to be the future manufacturing capital of Europe. Amsterdam has the best government-created climate for business through tax policies and financial incentives, while Glasgow's office space offers the best value for money, according to the report.

Eastern Europe's leading cities were considered the most likely to create an improved business climate over the next five years. On this score, Berlin came first, followed by Budapest. Moscow and Prague were a joint third.



Earlier improvement tails off

THE market cycle has not yet turned, according to the Investment Property Databank, a research body. Its figures on the property market in October shows that September's modest improvement was not sustained.

All sectors of the market saw faster rates of capital depreciation than in September, but rental values grew, suggesting further upward pressure on yields.

Total return figures deteriorated for all sectors, reducing the year-on-year figures further. Thus annual returns of the industrial sector stand at 0.6 per cent, significantly higher than those of the office and retail sectors (-5.4 per cent and -7.0 per cent respectively), but significantly lower than they were last month.

Rental values grew in all sectors, particularly among industrial properties. Outward movements in retail and office yields continue to be high, whilst those in the industrial sector have stabilised over the past two months.

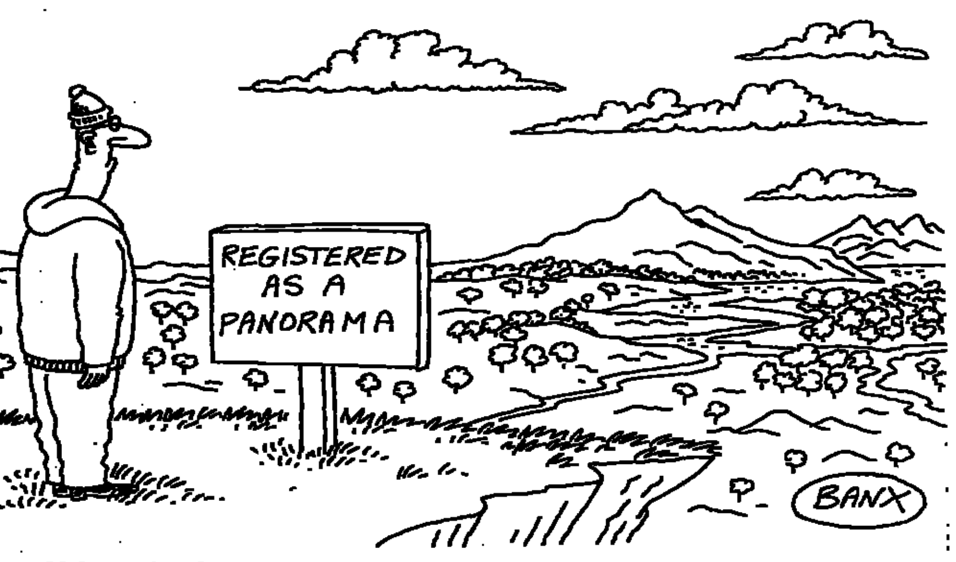
London produced worse results than any other region last month. Over the year to October, it was the least successful region for offices (-7.4 per cent) and the best performing region for the retail and industrial sectors (-4.9 per cent and 3.9 per cent respectively). Office returns elsewhere remained positive at 2.8 per cent for the year.

Retail returns for October deteriorated more rapidly than those of the other two sectors, but with a return of -0.8 per cent, this sector still outperformed offices for the month.

TECHNOLOGY

From Monday it will easier to find out who owns the house next door, writes **Della Bradshaw**

Private property, public knowledge



From December 3 the public will get its first chance to find out who owns which properties in England and Wales. On that day the Land Registry, which holds the records of land ownership, will open to public scrutiny.

Advocates of the move laud the breaking down of the secrecy which has kept the ownership of land undisclosed for more than 100 years. The more pragmatic of them point to the business opportunities, both for the Registry – to sell the data – and for businesses generally, which should find it easier to discover, say, who owns adjacent property when applying for planning permission.

But amid the euphoria, others are voicing concern that the system will not be the panacea it initially promises. The limitations of the data and the way it can be retrieved will prove restrictive, they say. "There's a difference between being open and being accessible," points out Michael Nicholson, managing director of Property Intelligence, a company which compiles data on property ownership.

He points to the convoluted route needed to find out who owns a property. The inquirer first needs to cite the title number of the property – the address alone will not suffice. To have a title number the property needs to be registered, but about 7m properties out of a total of 20m-21m in England and Wales are not registered. If that is the case, the search is fruitless.

The Land Registry's on-going multi-million pound project to computerise its records is based on the same manual system. Some critics argue this will make it difficult for the Land Registry to fully exploit its data.

The project is staunchly defended, however, by Ron Fenn, information technology controller. He explains that in the early 1980s, when the project was conceived, the Land Registry was a government department, not an executive agency. Its aims were to make the internal working procedures of the department more efficient and so the card files were simply replicated in computer form.

The system, therefore, was not designed to be one which could be accessed easily by the public. Only belatedly did the Registry realise that by turning a mass of paper cards into an electronic database of all the property in England and Wales, it was creating an asset that could be exploited – or even sold.

Detractors, such as Nicholson, believe the problems of getting the information will impact heavily on the Land Registry's income from its search service. "Ultimately if your market doesn't get what it wants, then it goes away. I believe they should conduct a very thorough study of the market to see what they want."

The bulk of the computerisation project involves converting files from card to computer when they need updating – usually when a property changes hands or there is a charge or mortgage taken out on it. The information is sent over the Land Registry's private phone network to the Plymouth computer centre, where, eventually, all the records will be held.

Fenn points out that the Land Registry will complete its computerisation task on time and within budget, with the records all on computer by 1993. By March next year the records of 1.7m registered properties will have been converted from card to electronic form, out of the UK's 13.5m resistered properties.

Once that is carried out, Fenn's team will look at ways of exploiting the data more fully. Two trials are already in place.

The first looks at the possibilities of linking digitised ordnance survey maps to the records, so that the boundaries and areas of properties can be recorded alongside the ownership and title number. The Land Registry is now considering tenders for such mapping systems.

The second is to enable regular users, such as solicitors or banks, to receive information over the phone, quoting a credit card number for payment.

Although other land authorities have often chosen to incorporate these services from the outset, Fenn believes that in England and Wales the priority is to computerise the records first. That, he says, will help reduce costs to consumers when they buy properties.

From next Monday, when the register is made public, there will be a charge of £6 for the title number of the property and a further £6 to reveal who owns it.

In Sweden, which began putting its land records on computer in the early 1970s, the efficiency of the system has resulted in a fee of SKr5 (50p) per search, in addition to a registration fee, says Bengt Kjellson, of Sweden's Central Board for Real Estate Data.

The main cost reduction has been brought about because solicitors, and other regular users, can tap into the main database from a terminal on their desks, doing away with the need to phone a central operator or send in an application form – the method that the Land Registry is encouraging in England and Wales.

Of more long-term importance for the Land Registry will be the possible sale of data from its central computer to information brokers, who package the data and re-sell it. These brokers could be marketing companies or specific interest groups – conservation organisations, for example.

Derrick Steel, who worked extensively on land information management in Australia, points to the success which authorities had there in selling data through outside marketing organisations.

Fenn acknowledges that the Land Registry could face some difficulties in selling the property data because of the way it has been structured. "We access the data vertically," says Fenn. "To make it tradeable it needs to be structured horizontally."

In a company takeover, for example, the predator might want to find out what property the other company owned. The ideal way would be to tap the name of the threatened company into the computer and get the software to search for all the properties which it owns. With the present system that is impossible. All the predator can do is to submit the names of all properties which it suspects is owned by the other, and ask for confirmation.

In Northern Ireland, by comparison, the land registry is moving towards a scenario where such a search could soon be possible. There the land registry has decided to put digitised ordnance survey maps of the region on the computer alongside the records of property ownership. The data are structured so that the two types of information are linked together.

Eventually, says Michael Brand, director of the Ordnance Survey of Northern Ireland and chairman of the Association for Geographical Information, every property on the digitised map will be tagged with information such as the owner's name. A data sweep could pick up all the properties according to a set of criteria – such as ownership, or a specific area.

Brand points out that the Northern Ireland registry has been able to achieve this because it is relatively small in size and the administration of the province is comparatively simple. In Northern Ireland there are just 16,000 map sheets to put into computer format, compared with 225,000 in Great Britain.

Many argue that the opening of the Land Registry should be just the first step on the road towards a far more open policy of land registration, to enable planners to make the best use of land. That would include the registration of all property, be it a flat, house or part of a mountainside.

One such advocate is Peter Dale, reader in land surveying at the Polytechnic of East London. "I believe what we need is a multi-purpose land registration system," says Dale. "What we want is a total land take so that derelict areas can be more easily recognised and used."

WORTH WATCHING

by Della Bradshaw

Desk-top world comes together

ALTHOUGH desk-top publishing has become a byword of the computer industry, many large organisations, which need to produce reams of documentation every year, still rely on traditional printing methods rather than electronic ones.

This could change with an electronic document processing system from Xerox, of the US, called Docutech Production Publisher. Sold in Europe by Rank Xerox, Docutech brings together many of the disparate elements of traditional printing in one machine. "Pre-press" activities, such as compiling the photos and the text, can be done electronically, and the machine even binds the document at the end.

The Docutech system is based on a mainframe computer which is designed for image rather than data processing, and which incorporates icons, or pictograms to make it easier to use. Attached to the mainframe is a digital scanner, which can be used to scan documents or images into the system, and a laser printer.

Next year Xerox is planning to introduce networking so the computer system can be linked to workstations and PCs. This will enable users to send data directly from the PC to the mainframe. Xerox has reached agreement with workstation maker Sun, Novell, the networking company, and Abode, the software house, to work on common standards.

Acetylene ready willing and able

ACETYLENE produces a super-hot flame for welding and cutting metals, but it is inconvenient because the gas has to be transported in canisters. Now a Canadian company is marketing an acetylene-making process, where the gas can be made on site as required.

The acetylene is produced by the usual method of mixing carbide and water. However, this is done by carefully adding exact amounts of the solid to the water in a gas-sealed reactor, which is computer-controlled.

As the valve is turned on, the gas is produced: when turned off, so is the gas production. This also does away with the need for the company to store inflammable gases, and so reduces the risk of explosions or fire.

A further advantage of the process is that by adding other chemicals, such as ethylene glycol or hydrochloric acid, hydrocarbon gases – such as propane, which is cheaper to use than acetylene – can be produced. The process, from Kemgas, of Vancouver, is sold internationally through the company's office in France.

Smoothing out the rough parts

THE cracks, holes or weld-lines that appear on plastic components may be overcome with the latest advance in injection moulding, writes Lynton McLain.

Called multi-live feed moulding, the technique can make complicated or simple components that are 50 per cent stronger than conventional plastic products. It will prove especially effective for use with thick plastic materials, including thermoplastic, liquid crystal and thermosetting polymers.

In conventional injection moulding a single feed of plastic, which cools and solidifies rapidly, is fed into the mould. In the multi-live feed moulding process, developed at Brunel University, London, with funding from the British Technology Group, the feed is split into several independent streams which are fed into the mould under pressure. Because the strands are forced against each other the material remains molten for longer, so reducing faults.

Goldenrod takes on a new identity

AN American weed called goldenrod may soon be able to produce natural high-grade rubber suitable for making aircraft tyres, surgical gloves or ship fenders, writes Robin Burton.

Goldenrod was originally identified as a source of rubber by car maker Henry Ford and tyre magnate Harvey Firestone, but did not catch on because of its low latex yield and inferior quality.

Scientists at the Agricultural Research Service at Albany, California, are looking for ways to isolate genes from both the tropical rubber tree and a slow growing desert shrub called Guayule, so that desirable characteristics can be built into goldenrod.

In these plants a gene triggers off production of the enzyme that forms rubber molecules. Other genes make the plants' rubber production continue and stop. It is now thought that the process can be perfected within the next five years and this would have considerable implications with regard to getting modified plants or even micro-organisms to produce high-grade rubber in quantity very swiftly.

What am I bid for listening in?

HAVE you ever wanted to listen to an auction, but been unable, or too penniless, to go along and join in the fun?

The answer could be to phone up the auction room and listen to the bidding. Such a service is being offered by Christie's in December, when it conducts its next auction of vehicle registration numbers. At last year's auction the room was extremely crowded, but many of those who attended were there for the entertainment value only – not the bidding.

As a result Christie's has enlisted the help of Telephone Information Services, of London, which is operating a premium rate phone service into the auction room. As the auctioneer speaks, his voice is picked up by a microphone and transmitted by a phone line into the computer centre of the Telephone Information Services. Anyone dialling the appropriate phone numbers can listen to the proceedings.

Contacts: Xerox: US, 716 423 1320. Rank Xerox: UK, 0895 51133. Kemgas: France: 23 50 42 80 95. British Technology Group: UK, 071-403 6666. Agricultural Research Service: US, 415 559 5960. Telephone Information Services: UK, 071 975 9000. Christie's: UK, 071 581 7611.

Arts Week

F	Sa	Su	M	Tu	W	Th
30	1	2	3	4	5	6

EXHIBITIONS

London

Royal Academy of Arts. Monet in the 90s: The Series Paintings. The long-awaited blockbuster exhibition has sent reviewers scurrying to explain the nature of the artist's double vision. Burlington House, Piccadilly (287 9579).

Paris

Grand Palais. Simon Vouet (1590-1649). The exhibition brings together paintings, drawings and tapestries by the Paris-born artist whose vast compositions decorated palaces and churches at the time of Louis XIII and Richelieu. Having returned from Italy inspired both by Caravaggio's realism and by the Venitians' luminosity of colour, Simon Vouet's influence spread through his pupils beyond his time and across frontiers. Closed Tue. Wed late closing night. Until Feb 13.
Musée d'Orsay. From Manet to Monet. The museum's acquistions over the last seven years comprise paintings and drawings, photographs and furniture with an exceptional ensemble of Gallé vases. Rue Bellechasse 40494814. Closed Mon. Ends March 10.
Galerie Daniel Malingue. Maitres impressionistes et modernes. From a Pissarro gouache showing in hazy blues, greens and greys two women returning from the fields to a pleasing Berthe Morisot portrait of young girls framed in an open window, from white-toned Utrillos catching the essence of Montmartre to the poetry of Miro's flying star. Daniel Malingue has assembled works of rare quality to represent his favourite period. 26, ave Matignon (42666033). Open all days except Sun, Mon mornings and lunchtimes. Ends Dec 22.
Musée Marmottan. Goya. Monet's museum plays host to four cycles of 218 engravings by Goya on loan from the Fundacion Juan Marcha. There are masterful renderings of bullfights, of lecherous men ogling young beauties abetted by harridans, there are monsters born from Goya's nightmarish imagination and – quite contemporary in their brutality – scenes of war and repression. 2, rue Louis Boilly. Closed Mon (42240702).
Marmottan's Monets. For lovers of impressionism, the Musée Marmottan is a must. A charming town house set in greenery, it houses an important collection of paintings and drawings by Claude Monet and his friends. Monet's love of London is represented by the Houses of Parliament. In the last 20 years of Monet's life, his garden in Giverny became his great inspiration. In glowing colours and changing light he painted its Japanese bridge and weeping willows and, above all, time and again the unforgettable Nympheas – waterlilies on still green waters. Musée Marmottan, 2 rue Louis-Boilly, closed Mon.
Musée des Arts Decoratifs. Panoramic wallpapers. If a wealthy French bourgeois of the 19th century felt the need for change in his comfortable but somewhat boring life, a panoramic decor covering the walls of his salon would instantly transport him to an exotic scene. There was an endless choice of subjects and locations – Peru with lush palm trees, crusaders liberating Jerusalem or the 1830 barricades in Paris. 107, Rue de Rivoli (42663214), closed Mon, Tue. Ends Jan 31.
Louvre. Euphronios. Some 60 objects, craters, amphoras and bowls testify to the art of Euphronios, painter and potter in the 6th century BC in Athens, in mastering the technique of red figures on black background. Euphronios and his friends of the Pioneers Group brought invention and originality to their representations of mythological subjects and scenes from everyday life. Open all days from 12am to 10pm, except Tue. Ends Dec 31 (40205166).
Haboldt and Co. The newly opened gallery presents in its luxurious setting a selection of old masters from Holland, Germany, France, Belgium and Italy with names as diverse as Ter Borch and Canaletto, Boucher and Tiepolo. 137, Fbg. St Honoré (42895881).
Galerie du Carrousel. 19th century French masters. There are some remarkable small bronzes by Degas and Daumier, there are two or three oils, but the speciality of this small left-bank gallery remain drawings by the Ecole de Barbizon. Precursors of the impressionists, the Barbizon painters discarded both academic conventions and romantic dramatisation in favour of a simple, realistic vision of nature. 11, quai Voltaire (42611075). Closed Sun and Mon.
Grand Palais. Picasso. A portrait of Jacqueline Picasso with her hands crossed round her knees is the symbol and the central point of an exhibition of 47 paintings, two sculptures, 40 drawings, 24 sketchbooks, 19 ceramics and 247 engravings and lithographs which have come to enrich, in lieu of death duties, the French national collections. Closed Tue, late closing Wed, ends Jan 14.
Galerie d'Art Saint Honoré. The Magic of Flemish Art. The paintings assembled by Monika Kruch are of such remarkable quality that the visitor is yet again enchanted by the transparency of glass, the softness of blue velvet and the pulpous texture of fruit in Jansz de Heem's still life. 267, rue Saint Honoré. Closed Sat, Sun; ends Nov 30 (42601503).

Brussels

Musée d'Ixelles. L'Impressionisme et le Fauvisme en Belgique is a major exhibition of Belgian painting from the 1880s to the 1920s. While several artists followed the lead of French impressionists and German expressionists, others such as Claus, Stobbaerts, Wouters have a distinct and increasingly valued style of their own. The finest show seen in Brussels for some time. Closed Mon, ends Dec 16.
Galerie Isy Brachot. An exhibition to celebrate its 75th anniversary: contemporary paintings.
Galerie de la CGER. The Belgian Dynasty and Belgium's Cultural Development. Daily.
Palais des Beaux-Arts. 5 million years: The Human Adventure. Man's evolution seen through 300 paleontological exhibits. Daily, ends Dec 30.
Musée d'Art Moderne. The Goldschmidt Collection of modern paintings recently left to the museum is on view in its entirety for the first time. Works by Braque, Chagall, Hockney, Klee, Miro and others. Place Royale. Closed Mon, ends Dec 16.

Madrid

Centro de Arte Reina Sofia. After undergoing seven months of major reforms the centre reopens as Spain's "national" contemporary art museum. Memory of the Future: Italian art 1900-1964 is the most comprehensive show organised to date on 20th century art.
Museo Nacional Centro de Arte Reina Sofia. Giacometti, undoubtedly the most important retrospective organised to date of this Swiss artist's work. Some 300 works are on show including drawings, paintings and sculptures – half of these have never been publicly exhibited before.

Fundacion Juan March. Cars, Andy Warhol's unfinished series of car drawings and paintings, commissioned by Daimler-Benz on the centenary of the invention of the automobile, are now on view at the foundation on loan from Daimler-Benz in Stuttgart.

The Cambo Legacy. Francesc Cambo, Catalan financier and politician, was also the owner of a magnificent private collection of paintings, built up between 1927 and the Spanish civil war. Intended from the beginning to eventually enrich the collections of the Prado and Museo de Cataluna and to fill in their artistic gaps, paying particular attention to Italian renaissance art: Botticelli, Titian, Tintoretto, Veronese, Sebastiano del Piombo, Perugino, Goya, el Greco, Zurbaran, Rubens. Museo del Prado. Ends Dec.
Museo Espanol de Arte Contemporaneo. Domestic Scenes. Everyday images of life in Spanish homes seen through the works of a wide range of top rate artists over a 500-year period. Starting with old masters such as Zurbaran, Velazquez, Murillo and Goya, through Sorolla and Casas, moving on to Picasso and Dali, and ending with contemporary A. Lopez and Barcelo. Ends December 9.

Barcelona

Museo de arte Moderno. Modernism. A comprehensive show of modernism as "total art". Organised by Olimpiada Cultural, the aim of the exhibition is to show off Barcelona's rich modernist inheritance in all its different aspects: including painting, posters, jewelry, furniture, stained glass, wrought iron and ceramics. Many of the items on show belong to private collections and have never been publicly exhibited before, others are museum pieces which have been specially restored for the occasion.
Museo Picasso. Homage to Jacqueline – between 1954 and 1970 Jacqueline Roque was a constant source of inspiration for Pablo Picasso; they married in 1958. The exhibition brings together some 150 works including portraits, paintings, sculptures, prints and pottery, in an important retrospective of the last 20 years of Picasso's artistic life and a homage to his favourite model.

Rome

American Academy: Giovanni Battista Piranesi: 135 engravings of Rome, made around 1770, the year of Piranesi's first visit to Rome, and the beginning of his long love-affair with the city. Recently acquired by the Arthur Ross foundation, this group of engravings includes a remarkable view of the Colosseum, seen from high on the outer wall, the city's grand baroque palaces seen from surprising angles and with dramatic light effects which make them almost sinister, and detailed accounts of the four main basilicas of Christian Rome. Ends Dec 16.

Venice

Palazzo Grassi. From Van Gogh to Picasso – from Kandinsky to Pollock. Opening with Picasso's 1931 *Woman with Yellow Hair* and closing with Fernand Leger's 1950 *Builders with Rope*, this exhibition provides a truly delightful canter through modern art from the late 1870s onwards. Included in the group of paintings lent by the Guggenheim in New York are 32 works from the remarkable Thannhauser collection, none of which have been back to Europe since they were bequeathed to the museum in 1940. Justin Thannhauser's group includes some fine Cezannes, two famous early Picassos: *Le Moulin de la Galette* and the *Fourteenth of July*, and excellent examples of almost every other artist of note (mainly French). A large group of works, come from the Peggy Guggenheim collection at the Palazzo Vernier in Venice. Ends Dec 9.

Berlin

Kronprinzenpalais, unter den Linden. The Kronprinzenpalais, reopens with an exhibition Poland, Time andArt. Eight Polish artists, born between 1945-1961, show 60works, most of them covering the last three years. Ends Dec 14.

Frankfurt

Staedel Museum has opened its new extension: 1,300 square metres display of 20th century art ranging from Picasso to Max Beckmann and Amseln Kiefer. For the opening ceremony there are four special exhibitions on the ground floor concentrating on Max Beckmann with works which have only be seen before in Leipzig, the hometown of the painter. Among the other artists are the American sculptors Richard Serra, Amselm Kiefer as well as sculptures in the garden by Per Kirkeby. Staedel, Schaumainkai 63. Ends Jan.

Bremen

To commemorate the 100th anniversary of the constructivist painter Walter Drexel a retrospective is being held. He worked as painter, advertising manager and teacher. Ends Jan 13. Kunsthalle am Wall 207.

New York

Brooklyn Museum. From pastoral landscapes to moonstruck mature fantasies, this comprehensive exhibit makes the claim for Albert Pinkham Ryder as the first modern American painter.
Metropolitan Museum. Mexican art from pre-Columbian handicrafts to modern murals includes a majestic panorama with more than 300 works covering 30 centuries.
Douglas Drake Gallery. David Hockney prints and photographs. 50 W. 57th St.
Museum of Modern Art. High and Low: Modern Art and Popular Culture.

Washington

National Gallery. The 350th anniversary of the death of Anthony Van Dyck is the occasion of this major exhibit of some 90 masterpieces borrowed from around the world and mixed with the gallery's own extremely fine collection. Ends Feb 24.

Chicago

Art Institute. One of Chicago's most noted conteporary artists returns home when Ed Paschke's travelling exhibit, which first appeared at the Pompidou Centre last year, arrives with 47 of the painter's day-glo portraits and landscapes.
Chicago Historical Society. A House Divided, America in the Age of Lincoln. Documents, mementos and personal effects of the Great Emancipator.

OPERA AND BALLET

London

Royal Opera, Covent Garden. A new production by Adolf Dresen of *Fidelio* conducted by Christoph von Dohnanyi has Gabriela Benackova, Jan Blinkhof, Monte Pederson and Robert Lloyd in leading roles.
Royal Ballet, At Covent Garden. A new triple bill with Balanchine's glorious *Stravinsky Violin Concerto* and a new work by Ashley Page. At Sadler's Wells, London Contemporary dance season continues.

Amsterdam

Nederlands Dansthester with the Jiri Kylian ballets *Verklärte Nacht, Forgotten Land* and *Sweet Dreams*, and *Gras* (Egk/Rachmaninov).

Paris

Opéra Palais Garnier. Choreography by Balanchine, Lubovitch, Garnier and Kylian to music by Stravinsky, Pacher and Janácěk (47425371).
Bastille Opéra. The season opens with Verdi's *Otello* conducted by Myung-Whun Chung with Corneliu Murgu in the title role, with Renato Bruson as Iago and Kallen Esperian as Desdemona (40011616).

Antwerp

De Singel. Monnaie Opera in *Mefistofele* by Arrigo Boito (concert version) conducted by Emil Tchakarov with Jose van Dam, Wieslaw Ochman, Margaret Jane Wray, Elzbieta Ardam, Franco Careccia (Wed).

Barcelona

Gran Teatre del Liceu. Uwe Mund conducts Wagner's *Die Walküre*, with a cast led by Montserrat Caballe and Johann Meier. Ends Dec 17 (412 14 66).

Berlin

Opera. *Der Barbier von Sevilla* is a well done repertoire performance. *Siegfried*, part of the successful Götz Friedrich Ring cycle features Anne Evans, Anne Gjevang, Jane Giering, Toni Kraemer and Robert Hale. *Zar und Zimmermann* is sung by Gudrun Sieber, Barbara Scherier and Peter Maus. Also *Rigoletto* and two advent concerts with the Wernigerode School Choir.

Cologne

Opera. *La Bohème* stars Ileana Cotrubas, Nova Thomas, Faith Esham, Luis Lima/Fernando de la Mora. *Hänsel und Gretel* is sung by Tone Kruse and Machiko Obata.

Frankfurt

Opera. *Der fliegende Holländer* has a first-rate cast led by Lisbeth Balslev and Knut Skram. Last *Le Nozze di Figaro* with Edith Mathis, Jean-Philippe Lafont, Kimberly Barber and Gilles Cachemaille.

Bologna

Teatro Comunale. The Comunale celebrates Mozart's bicentenary opening with Luca Ronconi's production of *Don Giovanni*, with the splendid Ruggero Raimondi giving his usual attractively sinister performance in the title role. (529999).

Turin

Teatro Regio. The two versions of Verdi's *Don Carlos* (the French and the Italian) performed alternately between now and mid-December. In both cases the full-length editions are used, conducted and produced by Gustav Kuhn, but with different casts (8815241).

Florence

Teatro Puccini. Two short contemporary works: Gian Carlo Menotti's *Il Telefono* and Gino Negri's *Ninfa Gentile*, produced by Stefano Vizioli and conducted by Giuseppe Mega (212330).

New York

Metropolitan Opera. Marilyn Horne, Chris Merritt and Samuel Ramey perform in John Copley's new production of Rossini's *Semiramide* conducted by James Conlon, who also conducts *Salome* with Hildegard Behrens, Helga Dernesch and Peter Kazaras in Nikolaus Lehnhoff's production. (362 6000).
New York City Ballet. The week's mixed programmes include *Concerto Barocco, Valse Fantasisie, The Cage* and the first of the seasonal performances of *The Nutcracker*. New York State Theater, Lincoln Center (496 0600).

Chicago

Lyric Opera. Leo Nucci has the title role of Rigoletto in Sandro Sequi's production conducted by John Fiore. Donato Renzetti conducts Andrei Serban's new production of *Lucia di Lammermoor*. Civic Opera House (332 2244).

THEATRE

London

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn. (839 5972).
Absurd Person Singular (Whitehall). Revival of early Ayckbourn comedy, directed by the master himself, about three couples at Christmas in three kitchens over three years. Moira Redmond, Richard Kane and Lavinia Bertram on fine form in a production which confirms Ayckbourn's early bleakness (071 867 1119). Extended until Jan.
Into The Woods (Phoenix) Julia Mckenzie shines as the witch in Stephen Sondheim's compendium of fairy tales. The title song is more memorable than a storyline that descends into recrimination and chaos as the characters' dreams turn sour. (867 1004)
Cats (New London). The formula of T.S. Eliott words, Lloyd Webber music and feline dance has made this Britain's longest running musical (405 0072)

New York

Falsettoland (Lucille Lortel). It will be known as the first musical about Aids hitting New York but it goes much further than that, showing the effect on a larger circle of people, who include a boy having a Bar Mitzvah and his parents, all three of them (924 8782).
Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to shake the bones of this inert depiction of lives criss-crossing in an elegant, but somewhat random setting (246 0102).
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this transfer from London (239 6200).
Gypsy (St James). This 30th anniversary production is a reminder of the heyday of the American musical with memorable tune after memorable tune, as well as a forceful plot about the ambitious stage mother who encourages her daughter into burlesque (246 0102).

Chicago

Other People's Money (Royal George). Corporate takeover artist Larry "the Liquidator" Garfinkle is played for all his mischievous worst by Peter Van Wagner in Jerry Stern's funny and telling view of contemporary finance, directed here by the star of the off-Broadway production, Kevin Conway (988 9000).
Phantom of the Opera (Auditorium). The midwestern production stars Karen Culliver surrounded by the familiar chandelier and other props in a full blown staging (902 1919).

Tokyo

Kabuki: Performances at Kabuki-za centre around a name-taking ceremony for the actor Sanjaku, who follows in his father's footsteps to become Ganjiro III. Both performances (11am, 4.30pm) are mixed programmes, combining drama, spectacle, song and dance. (541 3131).

Der Zigeunerbaron

ZURICH OPERA HOUSE

The idea had undoubted appeal. Bring together the Pope of the German authentic movement, a French stage director and the designer of the Bayreuth *Ring* – and set them to work on Johann Strauss's second most popular stage work. The result was this rather straight-laced production of *The Gypsy Baron*.

The most original contribution came from Nikolaus Harnoncourt, who – together with the musicologist Norbert Finke – has tried to rid the music of Viennese performing tradition by returning to sources. In the absence of the score used for the première at the Theatre an der Wien in 1885, Harnoncourt and Finke painstakingly put together their own edition, drawing from the composer's own manuscript, the libretto for the first performance and two early printed scores. In some places, the music is extensively filled out (the Act II finale is the most obvious case), so that the performance runs to more than three hours; in others it has been noticeably filleted, as in the parts for woodwind, brass and percussion. There is also some re-ordering of numbers, and Zsuspan becomes a tenor.

Does it really matter? Harnoncourt has known and loved these tunes all his life. As one who often talks about the need to avoid a "slovenly" approach to music, he believes Strauss deserves just as much respect as other more "serious" composers. The Zurich performance certainly made the music sound more refined – solo instrumental voices more easily heard, the musical fabric altogether more transparent – and Harnoncourt's conducting was typically strong on rhythm, accents and dynamics. There was no trace of sentimentality.

My own feeling, however, is that much as one admires Harnoncourt's rigour, the changes were not sufficient to prompt new or deeper insights. The music itself does not invite them. A work like *The Gypsy Baron* has thrived on the corruptions which have grown up around it. This production should really have been staged by an organisation like the Vienna Festival, in harness with a conventional Volksoper production.

The humourless atmosphere in the pit did not entirely escape the stage. The decor consisted of picturesque projections against a background of Venetian blinds, and in one scene the gypsies were even shown begging on Zurich's Bahnhofstrasse. Having wiped the work of its usual visual trappings, the producer, Jean-Louis Martinotty, and his designer, Hans Schavernoch, then walked out on the production shortly before the first night, complaining that their intentions could not be realised.

A few technical hitches apart, the cast made good with a performance of comic and vocal punch. Pamela Coburn's Saffi was resplendent – brilliantly sung, with a gracious stage presence. As Barinkay, Werner Hollweg looked and sounded well past his best, but his superb handling of the dialogue showed what a man of experience can do. There were characterful supporting performances from Peter Keller, Rudolf Schasching, Anna Gonda-Nigg and a full-blooded gypsy chorus.

Andrew Clark

Nehru gallery looks to the future

Susan Moore reports on the V&A's Indian collection

Last week the Queen opened the new Nehru Gallery of Indian Art 1550-1900 at the V&A. Room 41 has been transformed, courtesy of an international appeal, to present the highlights of what is the finest and largest collection of Indian art and artefacts outside the sub-continent. Its creation marks a watershed for the ill-fated Indian Collection, the bulk of which has shamefully languished in store for over 30 years. It also points the way forward for the development of the museum as a whole. The more observant guests at the opening will have noticed that the Nehru Gallery is not quite like any other of the museum's new gallery installations. That difference reflects a change in emphasis of its role.

As a gallery, it is an out-and-out success, an exemplary marriage of scholarship and imaginative, articulate design. The effect is sumptuous but curator and designer have resisted the temptation to over-stuff and over-decorate. Need it be said that the exhibits themselves are fabulous?

At its heart stands a pavilion raised above a low flight of steps, and approached through a 17th century stone colonnade. It is almost a temple to enshrine the achievements of one of the world's greatest civilisations,the Mughal Empire, founded by Babur, descended from both Tamberlaine and Jenghiz Khan. An inner sanctum is dappled with the diffused light let in through pierced sandstone and marble *jalis* or window screens. In this "treasury" beams of direct light focus on the likes of Shah Jahan's exquisite wine cup carved from white nephrite jade and terminating in an almost Mannerist ram's head. Alongside is carved rock crystal, chased and engraved silver, gem-encrusted and enamelled thumb rings and turban jewels, rich daggers and scabbards, embroidered and gilded tent hangings, tiles and floorspreads.

The pavilion platform and the area before it is paved with Kotah stone, conceived as an area for Indian musical performances and dance. There is a seating capacity for 50, and considerably more if children are sitting on the floor. Says Dr Deborah Swallow, curator of the gallery, "This is the one venue in Britain where the musical traditions of India can be performed in an environment in which they would historically have been performed."

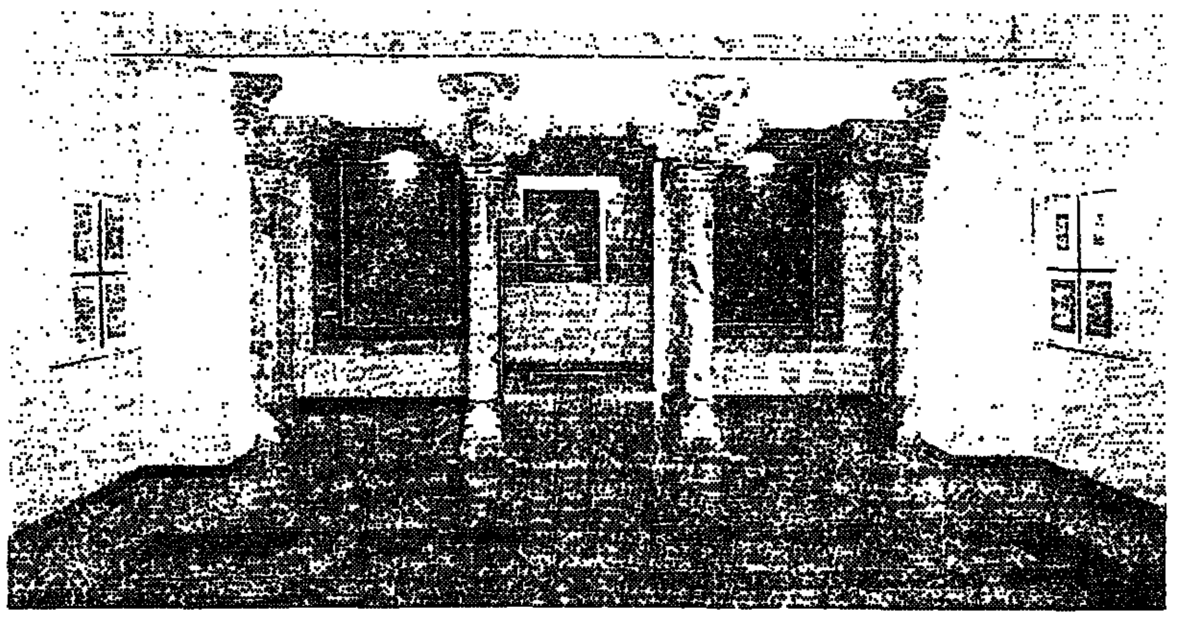
Flanking the pavilion are displays in a variety of media – costume, weapons and armour, textiles, furniture and wooden containers, plus a group of gouaches that illustrate the development of the art of the book under the Mughals. Illuminated folios from the Imperial copies of the romance of Hamza and the history of Akbar, executed by Persian artists brought to the court by Babur's son Hamayun, are among the great treasures of the collection.

Lining the walls of the pale green gallery (high Victorian in both senses) is a series of displays beginning with the arts of pre-Mughal India – that is, Hindu and Jain traditions – and the Rajput courts, which again show the continuity of folk traditions and the way in which court art was affected by the Mughals. The Sultanates of the Deccan are shown as importance centres of textile production which fed the Mughal court and the export trade to Persia, West Asia and Europe.

Two themes are developed for the 18th century. The first is the involvement of Europe, particularly Britain, starting with the textile trade and then examining the style of life the British evolved in India, and their patronage. Then we see the regional courts develop as Mughal power declined, and the way styles blended with European taste to make for a late, somewhat overblown flowering. The Punjab under Rajit Singh was to produce two of the most famous pieces in the collection, the maharajah's embossed gold throne and the mechanical European-devouring *Tipoo's Tiger*. Finally, the Raj: India 1850-1900, which questions European influence and its possible detrimental effect, but also reveals tremendous continuity with the art of the past.

It is the first time for decades that Anglo-Indian material has been shown, and the first time that any of the material has been presented in an historical context. There is a lot of information of offer, predominantly in English but with some text in the six languages of the sub-continent. The European connection – or cross-fertilisation – is seen by Dr Swallow as a valuable route into the collection for the South Asian population in Britain.

Education, specifically cross-cultural activities, is at the heart of the planning of the new gallery which, after all, takes its name from a British-educated Indian Nationalist who sought to rebuild burnt bridges after independence. The £2.2m appeal launched in 1988, Nehru's centenary year, was for the refurbishment of the gallery, conservation and for education. (Some £1.75m has been raised to date, some 60 per cent from the Indian community worldwide.) The Paul Hamlyn Trust has provided funds for the V&A's first education officer allocated to one gallery. According to Dr Swallow, its occupant will be responsible for visiting groups, will go out into the community to encourage people into the museum, and will help the department develop educational material on the back of the collection. National curriculum history, for example, will offer an option for 11-14 year olds on Indian history covering the almost exact period of the gallery.



Marriage of scholarship and design: the 17th century colonnaded entry into the pavilion

In January last year the museum appointed David Anderson, who had developed children's activities at the National Maritime Museum, as Head of Education with a brief to develop an education strategy for the 1990s. This was presented to the trustees in October and unanimously endorsed. Mr Anderson sees the family and the school system as priorities, and talks of gallery activities, outreach programmes, pre-school education, and establishing an interactive gallery in the museum. He hopes to see the emergence of a new identity for the V&A in the next few years.

Mrs Elizabeth Esteve-Coll, Director of the V&A, told me: "There is a real awakening in this country that museums are part of the educational system. I am enormously enthusiastic about using the museum as a primary educational resource, and not simply for school children and students of art and design, but for community education, adult education, independent learning. There is a whole market out there we have never addressed. Education is a long-term strategy for developing the museum visitor of the future.

"We are thinking about our multi-cultural society – we have huge collections of Islamic, Chinese, Japanese, Korean and Indian artefacts. As each gallery opens we want to have somebody allocated to use it as a springboard for educational activities, events and hands-on experience – calligraphy, dancing, storytelling, music, craft. We have been tinkering around the margins for some time, and now we are pulling it together as part of a coherent strategy." "Tinkering" so far has included making noodles and demonstrating acupuncture during Chinese festivals in the museum.

When Mrs Esteve-Coll was appointed director she made the display of the Indian collection her first concern. After two years of financial setbacks some 5 per cent is now resplendent in the Nehru Gallery. Funds forthcoming, the collection should reach its ultimate destination in the far more spacious North Court in 10 years time. Meanwhile, talks are still continuing with Bradford City Council for the display of Indian material, not in Salt's Mill in Saltaire, as originally envisaged, but in the colossal Manningham Mill which dominates the city skyline. The V&A trustees have decreed that the project must be at no cost to South Kensington. If Bradford finds some £67m public and private backing, the 20-acre Manningham Mill will house shops, offices, a hotel, and the V&A of the North.

Scenes from a Marriage

WYNDHAMS THEATRE

Scenes from a Marriage, Ingmar Bergman's study of marital disintegration, is a two-hander that does not so much explode as implode on to the stage. Reviewed on this page by Anthony Curtis when it opened in Chichester this summer, it brings that season's brightest stars to while out the winter in the West End.

The title of the piece is a calculated misnomer, since the play begins just as the marriage between Johan and Marianne is drawing to an end. We watch them, appalled and fascinated, as they indulge in the games couples play. Bergman wrote the piece originally for television in 1972 and adapted it for the stage with the German actress Rita Russek, who graduates in this English language première from performer to director.

The part she created is taken here by Penny Downie in a partnership with Alan Howard that at first seems almost too mannered for its own good. There is an icy symmetry to the piece that matches Marianne's lungeing, beseeching kiss with a later slap of rejection. It is only when we reach the fourth scene, and Downie's sharp, delicate intake of breath on being told of her husband's adultery, that the finesse of the playing begins to become clear.

Howard's contribution is the ability to pronounce sentiments like an emotional grammarian: His talk of "evasions, restrictions and . . . refusals", with every dot sounding a significant silence, rings a reproach far more deadly than one ranted and raving. Yet from this mincing of phrasing and emotion emerges a self-centred child far less continent, in real terms, than his wife.

The penultimate scene, of sudden, smothered violence over finalisation of the divorce details, rings out like a gunshot. It is the Bergman equivalent to the slamming door of Ibsen's *A Doll's House*, the play which partnered it in its Munich stage première. The political loading of it has changed with the times, but it is every bit as loud and as true.

Claire Armitstead

Alastair Muir

Penny Downie and Alan Howard

Wolfgang Holzmair

WIGMORE HALL

Illness prevented Uwe Heilmann from giving his London debut recital on Wednesday. That was disappointing, since the young German tenor boasts a growing international reputation which one was looking forward to test. But his replacement proved to be far more than a consolation prize: Wolfgang Holzmair, the Austrian baritone who had already given a Wigmore Lieder recital earlier this month, flew back to take on Heilmann's programme, *Die schöne Müllerin*, and sing with his scheduled pianist, Geoffrey Parsons. The result was a captivating, urgent, deeply moving Schubert cycle performance – any initial fears of second-best were speedily banished.

Holzmair's Schubert is everywhere stamped with his own robust individuality. The senior Lieder "greats" don't appear to hover over his interpretation; not an inflection sounds mimicked or sedulously studied, not a detail borrowed from an respected model; the cogency of the overview seems entirely self-generated. His voice, a manly, vibrant, rather impetuously used instrument, may reveal limitations at the top and bottom ends of its compass; he does not waste time on suave delivery of phrase-nuances, though the soft singing can strike home with powerfully affecting force.

Gentle lyrical melancholy is not one of Holzmair's most significant Schubertian virtues – and, since it is a *Schöne Müllerin* requisite, Wednesday's account of the great cycle could, by ideal standards of judgment, be considered incomplete. But what directness, what freshness, what a wealth of verbal colour it possessed! Holzmair characterises the lovelorn country youth with a wonderfully acute, yet always natural-seeming, mixture of naive candour, picturesque sentimentality, and burgeoning emotional intensity. He launches each song as if he doesn't know the ending of the tale – the scale of each component part, and its placing as part of a larger dramatic whole, are impeccably judged, yet there is no trace of egregious artfulness.

Parsons, a sterling partner, was perhaps unprepared for some of Holzmair's more spontaneous verbal gestures, though he supported them with admirable flexibility. Singer and pianist need to work together again: this was, one hopes, the start of an important new recital partnership.

Max Loppert

Round-up of recent rock music

After a brief foray into the world of disco rhythms and rock riffs, **Laurie Anderson** has returned to the territory she inhabits most comfortably – somewhere on the borders where rock, minimalism and performance art meet. "Empty Spaces" is the title of the new multi-media show that she brought to the Dominion last weekend: the familiar – half a dozen songs from last year's album *Strange Angels* – interspersed with new material, songs and anecdotes, and given a polished visual packaging of video images and still projections.

In some respects it is a concise return to the style of her seven-hour show of the early 1980s, *United States*; the subject matter remains the same. But now, after Reagan's decade, her critique of the country and of New York in particular is harsher, the humour less gentle, harder to tease out, either because the injustices are more difficult to laugh off, or because Anderson and her audience have grown up, grown older and more despairing. Her targets are lined up as accurately as ever. The macho American male is under constant attack – a sermon on Jesse Helms and Robert Mapplethorpe, while the score to *The Good, the Bad and the Ugly* plays in the background, is one of the evening's highlights – so are intolerance, and greed and militarism.

Yet the songs continue to beguile. There may be no space for the quirky and instantly attractive flights of fancy that made Anderson's name, but she sings more than recites now and the melodies are woven above intricate, skilful electronics. Lyricism is no longer to be mistrusted, even if it is used to chill, and the melodies have a haunting eloquence. The show ends not with a big production number, but a short monologue on Anderson's experiences of the parade of misery in a New York hospital, told in her familiar laconic way to an absolutely hushed audience.

★

Cloaking their commentaries in the rather more uniform garb of folk rock, **10,000 Maniacs** offered a different, small-town view of American life and time at the Town and Country on Monday. Their vocalist Natalie Merchant is self-consciously the star, and undoubtedly the attraction for the predominantly male following, as she pirouettes and parades to project an image which rather oddly combines the come-on with the coy. It seems an unattractive, manipulative mixture, with more than its quota of self-infuldence, and the song lyrics, when you can penetrate them on record (not a word was audible at the T & C), often seem to disappear into their own pretensions.

It was a distinctly depressing evening, a ritual parading of a cult band before its fans with familiar material that nevertheless lacked sufficient variety or coange of pace. Ms Merchant kept the final piece of tawdry indulgence to herself – a version of Bryan Ferry's "Dance Away" complete with solo viola and much out-of-tune singing; the rest of the band, tight, competent and kept firmly in the background, had left the stage by then.

★

A brief salute finally to **Youssou N'Dour**, now established as the most popular of African musicians in Europe, whose unstoppable show at the Hammersmith Palais last week demonstrated that he has settled on the right mix of West African and rock to keep most of his audience happy most of the time. It was an exuberant, inventive couple of hours, complete with Les Super Etoiles de Dakar, the band that has supported him ever since he first began to make an impression and attracted the support of Peter Gabriel in the mid 1980s. A hint that he might throw the baby out with the bath water and import too much Western rock into his music appears to have resisted; there was no doubt of the fertile ground from which this music sprang, nor of the potency of the talking drums and loping polyrhythms that underpinned N'Dour's wonderfully free-wheeling vocal lines.

Andrew Clements

SALEROOM

Bestiary sets manuscript record

A "Bestiary" which had rested forgotten in the library of the Dukes of Northumberland for almost two centuries and was only recognised in the 1950s sold for £2.97m at Sotheby's yesterday to the London dealer Quaritch. The price was over double the estimate and represented a record for any English manuscript. Indeed the only manuscript to sell for more at auction is the famed "Henry the Lion", which made £8.14m.

The Bestiary, snippets of information about animals real and imaginary, along with illustrations, was, with the Apocalypse, the favourite subject of 13th century English scribes. This example, produced around 1255, has 112 illustrations and is probably the only English bestiary still in private hands.

The auction totalled £5.1m. with 12 per cent unsold. There was a record price of £264,000 paid for a single leaf, for a missing page from a German psalter, now in the Bibliothèque Nationale in Paris, probably made in Braunschweig in Germany around 1239.

The recession has affected the demand for expensive illustrated flower and bird books, and classic examples by Redouté and Gould failed to find buyers at Sotheby's. A first edition of Levaillant's book on parrots was within target at £77,000.

At Christie's furniture sale a continental collector paid £198,000 (top estimate £20,000) for a giltmetal-mounted tortoiseshell and ebony bibliothèque basse, perhaps made by Boulle.

Antony Thorncroft

Enhancement Fund gets off the ground

December 17 will be the crunch day for many of the leading arts companies in the UK. It is the day on which the members of the Arts Council will confirm both the grants for its clients in 1991-92, (which are expected to show an across the board increase of 8 per cent), and the distribution of the £22.5m Enhancement Fund.

The Fund was the idea of the departed Minister for the Arts, Mr David Mellor. He saw it as a way of rewarding special achievement in the arts but it was quickly interpreted as a means of bailing out those major arts companies with substantial deficits, notably the Royal Opera House, Covent Garden, with a shortfall of over £4m and the Royal Shakespeare Company, which is well over £2m in the red.

Yesterday the secretary general of the Arts Council, Mr Anthony Everitt, announced the criteria for receiving Enhancement money and made it clear that it would not be concentrated on companies with deficits. Any client receiving aid, and it will all be earmarked at one go, will have to satisfy the Council that it will give an improved artistic return, will raise matching money from other sources, and will balance its budget within three years.

These may be difficult conditions for the Royal Opera House, for one, to meet, although the RSC is expected to get a substantial extra grant.

★

The Tate Gallery announced yesterday that it is reviving the Turner Prize, but with fresh criteria. The Prize money is to be doubled to £20,000 and will go to a British artist under 50 who has had an acclaimed exhibition of his work in the previous year. It The Prize is to will be sponsored by Channel Four.

A.T.

ARTS GUIDE

November 30-December 6

MUSIC

London

Chamber Orchestra of Europe conducted by Gennadi Rozhdestvensky perform Britten and Stravinsky (Fri). Barbican (638 8891).
The Philharmonia conducted by Giuseppe Sinopoli play Mahler's eighth symphony (Fri). Royal Festival Hall (928 8800).
Daniel Barenboim plays Bach's Goldberg Variations (Sun). Barbican Hall.
London Symphony Orchestra conducted by Mariss Jansons play Shostakovich's seventh symphony (Sun). Barbican Hall.
Chamber Orchestra of Europe conducted by Gennadi Rozhdestvensky play an all Shostakovich programme (Mon). Barbican Hall.
English Chamber Orchestra conducted by Jeffrey Tate play Beethoven (Wed). Barbican Hall.
London Symphony Orchestra conducted by Mariss Jansons play Sibelius and Strauss (Thur). Barbican Hall.

Paris

Ileana Cotrubas farewell (Mon). Salle Gaveau (49530507).
English Chamber Orchestra conducted by Jeffrey Tate, Mitsuko Uchida, piano: Beethoven (Mon). Chatelet (40282840).
Quatuor Arditti, Brenda Mitchell, soprano conducted by Andre Richard, Freiburg/Breisgau Vocal Ensemble conducted by Diego Masson: Brian Ferneyhough (Mon). Auditorium Chatelet (42361390).
Nikita Magaloff, piano. Chopin (Tue). Salle Pleyel (45638873).
Quatuor Arditti, Rene Meyer Clarinette conducted by Diego Masson: Brian Ferneyhough (Tue). Auditorium Chatelet (42361390).
Nicolaeva Cycle (Tue, Thur) Salle Gaveau (49530507).
Orchestre de Paris conducted by Semyon Bychkov, Daniel Barenboim, piano. Tchaikovsky (Wed, Thur). Salle Pleyel (45638873).
Quatuor Arcana: Dutilleux, Hersant, Messiaen (Thur). Auditorium Chatelet (42361390).

Antwerp

Royal Flanders Philharmonic conducted by John Nelson, with Gulsin Onay (piano). Rouse, Saint-Saens, Mussorgsky, Rachmaninov (Fri). Koningin Elisabethzaal.
Collegium Vocale Orchestra and Chorus conducted by Philippe Herreweghe, with Barbara Schlick (soprano), Gerard Lesne (counter-tenor), Howard Crook (tenor), Peter Kooy (bass). Bach's Cantatas No 105 and 131 and fifth cantata of the Christmas Oratorio (Thur). De Singel.

Brussels

RTBF Symphony Orchestra conducted by Robert Casteels with Jean-Claude Vanden Eynden (piano), Johan Schmidt (piano). Leduc, Gyseling, Michel, Mozart, Mendelssohn (Sat). Maison de la Radio.
La Petite Bande conducted by Sigiswald Kuijken. Bach's Brandenburg Concertos Nos 3-6 (Tues). Palais des Beaux-Arts.
Oratorio Chamber Orchestra and Chorus conducted by Dominique Jonckheere, with Marie-Paule Fayt (soprano), Els Crommen (soprano), Jean-Guy Devienne (baritone), Axel Everaert (tenor). Handel and Musset (Tue, Wed). Conservatoire Royal de Musique.

Amsterdam

Radio Philharmonic conducted by Rudolf Barshai, with David Pittman Jennings (baritone). Loschshin, Shostakovich. Concertgebouw (Sat).
Netherlands Chamber Orchestra with Robert Holl (bass), Antoni Ros-Marba conducting. Beethoven, Bach, Schoenberg. Concertgebouw (Sat, Sun).
Tokyo Quartet. Beethoven. Concertgebouw (Sat).

Utrecht

Tokyo Quartet. Beethoven. Vredenburg (Mon).
Royal Concertgebouw Orchestra. Klaus Tennstedt conducts. Schonberg, Mahler. Vredenburg (Thur).
Chicago Blues Festival. Vredenburg (Thur) (31 45 44).

Florence

Alexander Lazarev conducting works of Prokofiev and Tchaikovsky (Fri, Sat, Sun); Zubin Mehta conducting Brahms, Vivaldi and Bartok (Thur). Teatro Verdi (212320).

Rome

Giuseppe Grazioli conducting works of Brahms and Schumann (Sat-Tues). Auditorium in Via Della Conciliazione (6541044).

Berlin

Berlin Philharmonic and pianist Maurizio Pollini under Claudio Abbado in Beethoven and Bruckner (Sat, Sun). Philharmonie.

Frankfurt

Katia Ricciarelli (soprano) and pianist Vincent Scalera with songs by Rossini, Verdi, Donizetti, Liszt, Ravel and Tosti (Mon). Alte Oper.
Frankfurt Radio Orchestra under Sylvain Cambreling with Frank Peter Zimmermann (violin) play works by Berlioz, Weber, Berg and Beethoven (Thur). Alte Oper.

Cologne

Tokyo String Quartet. Schubert, Zemlinsky and Beethoven (Tue). Philharmonie.
Maurizio Pollini piano recital with works by Beethoven, Webern, Boulez (Thur). Philharmonie.

Madrid

Spanish National Orchestra conducted by Walter Weller. Tchaikovsky, Llacer, Brahms (Fri). Auditorio Nacional de Musica (337 01 00).
Andres Segovia Chamber Orchestra conducted by Jose R. Encinar. Garcia-Abril, Boccherini, Aracil, Haydn (Fri). Auditorio Nacional de Musica (337 01 00).

Barcelona

Orquestra Ciutat de Barcelona conducted by Bryden Thomson, with Laura Czik (piano). Elgar, Chopin, Rachmaninov (Fri, Sat, Sun). Palau de la Musica Catalana (268 10 00).

New York

Philadelphia Orchestra conducted by Christop Eschenback. Mozart, Bruckner (Tue). Carnegie Hall (247 7400).
Chamber Music Society of Lincoln Center directed by Fred Sherry. Schubert, Brahms, Mendelssohn (Tue). Alice Tully Hall, Lincoln Center (874 6770).
Eugene Istomin piano recital. Beethoven (Wed). Carnegie Hall (247 7400).
Orchestra of St. Lukes conducted by Roger Norrington. Mozart, Haydn, Beethoven (Wed). Avery Fisher Hall, Lincoln Center (874 6770).
Arioso Ensemble with Taru Valjakka (soprano). Bystrom, Sallinen, Kuula, Sibelius (Wed). Kaufmann Hall (415 5450).
New York Philharmonic conducted by Samuel Wong with Vladimir Feltsman (piano). Schnittkke, Rachmaninoff, Shostakovich (Thur). Avery Fisher Hall, Lincoln Center (874 6770).
New York Philomusica conducted by Robert Johnson. Beethoven (Thur). Merkin Hall (362 8719).

Washington

Chamber Music Society of Lincoln Center directed by Fred Sherry. Schubert, Brahms, Mendelssohn (Wed). Concert Hall, Kennedy Center (467 4600).
National Symphony conducted by John Eliot Gariner with Joshua Bell (violin). Chambrier, Schumann (Thur); Concert Hall, Kennedy Center (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Erich Leinsdorf with Adolph Herseth (trumpet). Copland, Hummel, Prokofiev (Thur). Orchestra Hall (435 8122).

FINANCIAL TIMES

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Friday November 30 1990

A taxing time ahead

THE US ECONOMY is now on auto-pilot. After three quarters of slow growth, the economy appears to have slipped into what Mr Alan Greenspan, Federal Reserve chairman, has called a "meaningful downturn" in the final quarter of the year. The priority for policy is not this immediate danger, however, but the longer term one of inadequate savings.

Even in the short term the main threat to US economic stability is less the threat of recession than investors' fears that the US authorities are indifferent to sustained dollar depreciation and inflation. The dollar has already depreciated markedly against both the yen and the D-mark in recent months. The consequent rise in import prices, added to higher oil prices, has raised fears of inflation. But the US cannot afford to be indifferent to the perceptions of the international investors on whom it relies to fund its current account deficit.

The relatively low proportion of imports in Gross National Product may reduce the inflationary implications of higher costs. None the less, as short-term interest rates have fallen, yields on long bonds have risen, a combination that suggests a build-up of inflationary expectations.

The perception that the US authorities are oblivious to inflation and the falling dollar could provoke a crisis of confidence in the dollar. Higher interest rates might become necessary to persuade international investors to hold on to their US assets. These could convert a moderate downturn into protracted stagflation.

Consumer gloom

Americans, as voters or consumers, tend to fluctuate between extremes of optimism and pessimism. So it is doubtful whether the gloom evidenced by recent consumer surveys would be lifted even if the Fed were to risk a cut in interest rates in an attempt to reverse the current downturn.

The gloom may be misplaced. Employment has fallen, spending is down while banks are wary of making new loans, even to their reputable customers. But, according to the OECD's latest report on the US economy, there is little evidence of a broadly based squeeze on credit. The growth of aggregate non-federal debt over the past two years has, in fact, remained at, or just above, the nominal growth rate of the economy.

Positive real growth

The OECD forecasts positive real growth next year. The real US exchange rate, adjusted for changes in relative unit labour costs, has fallen by an effective 18 per cent since 1980. Greater export competitiveness has contributed an average 0.5 percentage points to economic growth in recent years.

Yet the current account deficit remains high, at an estimated $90bn in 1990 (down from a peak of $162bn in 1987), despite the strong export performance. The deficit reflects the gap between domestic investment and national savings. A depreciation of the exchange rate would only lead to a reduction of the deficit to the extent that the extra export earnings were saved.

The household savings rate has, in fact, increased as a percentage of disposable income, to an estimated 5.2 per cent in 1990, up from 3 per cent in 1987. Yet two thirds of the export gains in recent years have been offset by higher imports. If savings are not increased further, any reduction in the current account deficit could only come at the expense of domestic investment. Alternatively much of the benefits of domestic investment will continue to flow abroad. Net interest payments abroad already constitute 3.3 per cent of GNP.

The best way to raise future US living standards and so tackle the most important item on any agenda for economic policy is to increase national savings. Piecemeal tax increases and spending cuts aimed at reducing the budget deficit will never provide a satisfactory solution. A federal consumption, or value-added tax, would penalise consumption whilst not distorting incentives to save or work. The US savings problem deserves such a response.

Fudging the poll tax

THE FACILITY with which Mr Michael Heseltine, the new environment secretary, has been prone to unleash new policy proposals on to the world has tended, in the past, to provoke as much suspicion as respect among his parliamentary colleagues. Where the poll tax is concerned, he will no doubt meet with a less equivocal reception. The tax played a central part in unseating Mrs Margaret Thatcher and it still threatens to contribute to the departure of the Tories at the next election. On past form, Mr Heseltine can probably be relied on to come up with a politically-dexterous short-term palliative for aggrieved poll tax payers. The more important longer-run question is whether he and Mr Major will seize the opportunity presented by Mrs Thatcher's resignation to promise a more fundamental review of the issues after the election.

The immediate problem, which remains unmitigated despite the £3bn increase in government grant proposed by Mr Heseltine's predecessor in Marsham Street, Mr Chris Patten, is the widespread and wholly accurate perception that the poll tax is unfair. The Tories will certainly find it expedient to establish a means of ensuring that the tax more adequately reflects the ability to pay, and recent debate in Whitehall has already touched on such possibilities as a surcharge on higher incomes and exemptions for the lower paid. For his part Mr Heseltine has offered a lengthy menu of reforms including the abolition of the shire councils, enforced local elections where poll taxes are set above Whitehall guidelines and the removal of education from local government spending.

Complex administration

The trouble with such tinkering is that much of it is administratively complex and makes a nonsense of the original principle of a flat-rate charge. As for transferring financial responsibility for education to central government, the political pay-off is clear enough. On the assumption that the present central government contribution to local authority spending remains proportionately the same, the net benefit for local authority spending would come to about £6bn, or not far short of half the poll tax. That figure could then be lost in less sensitive areas of central government finance. And given the trend, under the Tories, to put more control over education in the hands of central government the change could be presented as logically consistent.

Yet it would also be cynical to an unacceptable degree. One of the more disturbing features of the Thatcher years has been the powerful tendency to centralise. To permit that impetus to be reinforced purely as a by-product of an attempt to salvage the poll tax would be absurd. The case for having education financed at central government level should be debated on its merits in the proper context. So, too, should the whole issue of local government finance.

Property tax

The best way to address the less attractive, regressive elements of the poll tax is to return to a genuine system of property tax that reflects imputed rental income or the capital value of the site of domestic dwellings. Not only is this more equitable than the poll tax; there is an incentive for a more efficient use of land and property that is wholly missing in the government's present proposals. Nor should it be beyond the wit of Mr Heseltine to address the problem of winners and losers arising from the initial rating valuation, through phasing or other nostrums.

As for the problem of local government accountability that the poll tax was intended (and has conspicuously failed) to resolve, the logical solution lies in financing mechanisms that extend rather than reduce local democracy. The answer may also lie in electoral reform, since excessive local spending by left wing authorities is often a reflection of first past the post voting in politically homogeneous areas, which awards politicians the doubtful benefit of elective dictatorship. A more public review of both the structure and financing of local government in which constitutional issues are squarely addressed is an urgent priority.

Helmut Kohl is set to win Sunday's all-German elections. David Marsh reports on the Chancellor's mounting problems

Mixed blessings of victory

Germany goes to the polls this Advent Sunday as Christmas lights and festive conifers go up on market squares across a country now spreading from the Rhine to the Oder.

The first free elections since 1932 for a united German parliament mark more than the coming of a season: perhaps, the beckoning of a new age. Weak Germany? Dominant Germany? Placid Germany? Troubled Germany? The next four year legislative period will hold the key.

Chancellor Helmut Kohl – trailing heavily in the opinion polls only 18 months ago – has shown aplomb and unerring instinct in guiding the Germans' year-long passage to unity. He is odds-on favourite to remain in power at the head of the centre-right coalition led by his Christian Democratic Union (CDU). Yet, after riding the rapids of reunification, the chancellor will have to navigate a series of treacherous post-election shoals. The difficulties could be all the greater because for the first time in long-underrated Mr Kohl's political life, his capabilities as a steersman are in danger of being over – rather than under – estimated.

West Germany's success in taking over the formerly communist eastern half of the nation represented the climactic outcome of the Federal Republic's stability and prosperity built up over 40 years. But unity was greatly facilitated by a fortunate constellation of circumstances which came into play over a much shorter period.

Strong West German economic growth in 1989-90 provided the magnet for unity. The amassing of huge West German current account surpluses in the second half of the 1980s gave the means for financing it. And the weakness of the Soviet Union awarded Mr Kohl the opportunity of clinching unification without giving up the Federal Republic's links to Nato.

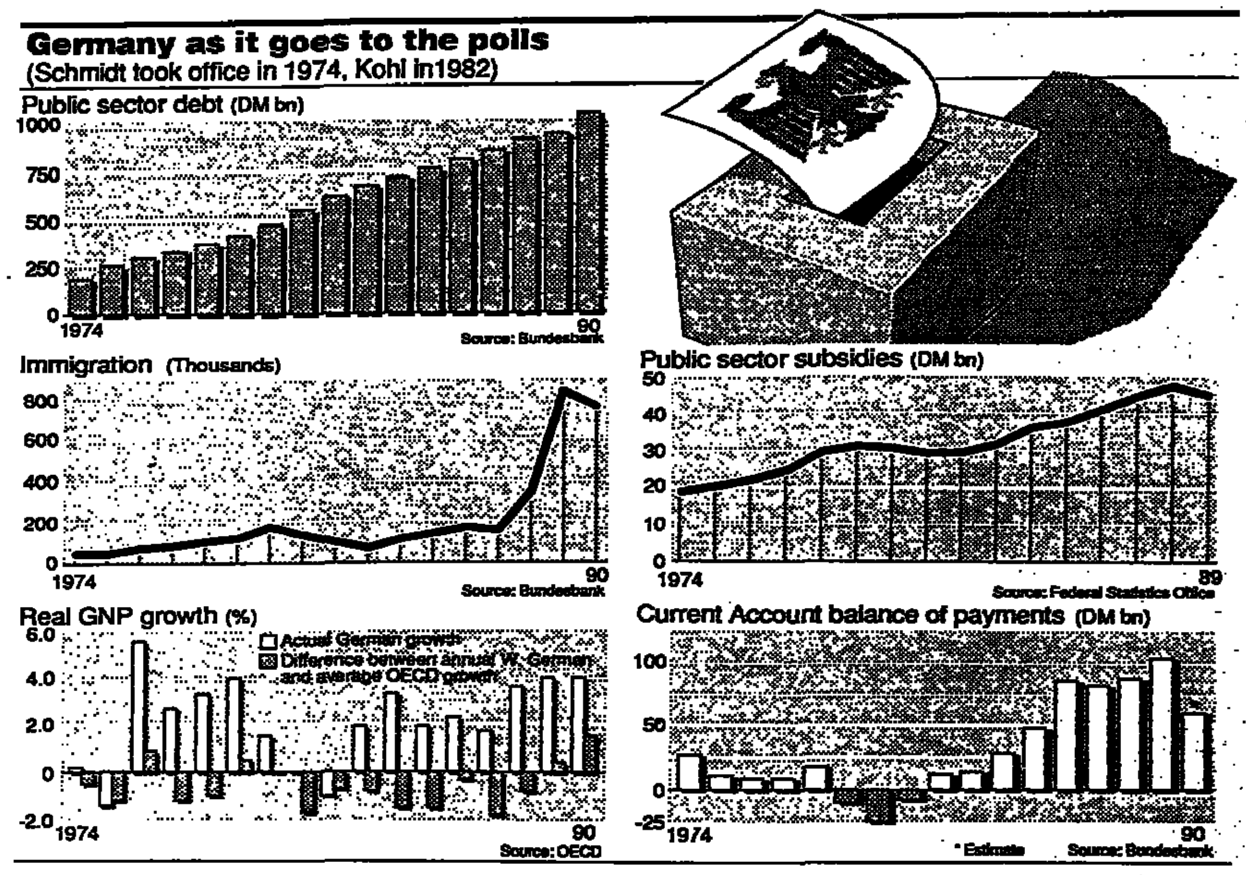
These three factors, combined with the timing of the election just two months after the merger on October 3, have made the chancellor unbeatable. His opponent, the unsentimental Mr Oskar Lafontaine from the Social Democratic Party (SPD), resembles a left-wing version of that other arch-practitioner of polarisation politics, the late Bavarian premier, Mr Franz Josef Strauss.

The SPD challenger, mounting a frontal assault against populist unification pathos, refused at the Unity Day celebrations even to mouth the words of the national anthem. He has no chance of turning the Germans' considerable *angst* over unity into a majority. But the likelihood that a third of Sunday's votes will go to a candidate sceptical about fulfilment of Germany's national goal underlines how Germany is split over reunification. The gulf is particularly pronounced between the older and younger generations, and, of course, between east and west Germany.

Next year some of Mr Lafontaine's well-broadcast forebodings may be confirmed. German growth will falter as the result of a worldwide slowdown stretching out from the US. Germany's financial position, both external and internal, will deteriorate sharply as a result of the very large short-term costs of taking over a state of 16m people now perceived to have been a ruin.

Once the Warsaw Pact is finally dissolved over the next year, controversy between Germany and the US, Britain and France over Nato's future – especially over nuclear weapons in Germany – is only a matter of time.

And if the centrifugal forces in the Soviet Union and eastern Europe gain strength, the weakness in Moscow which lubricated the arrival of unity could soon become a source of alarm. Germany this week has started to organise large-scale food aid to help the Soviet Union through a hard winter. Nothing more symbolises the ending of the cold war. But the breakdown of central Communist power could also herald political instability on Germany's eastern flank.



Mr Kohl's persistence and single-mindedness stood Germany in good stead in managing the path to unity. Now, however, the chancellor has to weather its consequences – a task for which he may be less well-suited.

To his credit, Mr Kohl in past months has not shirked from pointing out that unity will bring Germany extra responsibilities as well as opportunities. But he naturally prefers to swaddle his electioneering speeches in innocuous certitudes rather than pinpointing the taxing points on the agenda. One of the most intractable arises next week at the Gatt talks in Brussels. Bonn will face further pressure from the US to shift the EC position towards deep incisions in farm subsidies. Before the election, Mr Kohl has been reluctant to antagonise German farmers, who are already, on agriculture ministry estimates, facing income cuts of 25 per cent next year.

A second test will come at the EC conference on monetary union opening in Rome on December 14. Mr Kohl will have to steer a delicate course between the wish of the Bundesbank to preserve sovereignty over the D-Mark and European partners' desire to dismantle it. War in the Gulf would present Mr Kohl with a near-insoluble dilemma. If blood starts to flow to safeguard oil supplies, active support for President George Bush would be deeply unpopular among Germans and within the Bonn coalition.

One of Mr Kohl's greatest problems is not his fault, but has been exacerbated by his own insouciance. With his talk this summer that "no one will have to give up anything for German unity", and his continued promises not to raise taxes to finance the merger, Mr Kohl risks a steep dive in credibility if, as seems almost certain, some form of tax increase becomes necessary next year.

The public sector borrowing headache has arisen with extreme suddenness. Thanks to the buoyant economy, the overall budget in 1989 was practically in balance. This month Bonn's economic advisory council predicted that the public sector budget deficit will remain at 5 per cent of Gross National Product at least until 1995 unless spending is cut by up to DM 100bn a year over this period.

Unless Mr Kohl takes a firm grip on the challenges facing the country, his position – and Germany's – will soon start to look a lot less secure

One senior German government official says soberly that the task of cutting the deficit is more difficult than the public spending crisis which helped precipitate the fall of Chancellor Helmut Schmidt, Mr Kohl's predecessor, in autumn 1982. He adds that Germany's massive current account surplus is due practically to disappear in 1991. And he admits that taxes will indeed have to be raised if Mr Theo Waigel, the finance minister, fails to implement unpopular spending cuts next year. Commenting on the effects on international capital markets, the official says: "We have a high stock of trust placed in us. We have to go carefully with it... It would be no service for the world if suspicion grew of German financial permissiveness."

The official was speaking on the understanding that he should not be quoted. The firm cotton wool pad around the government's pre-election pronouncements on the economy has prevented anything as draconian as this being said in public.

Confidence in Mr Kohl's leadership has undoubtedly grown at home and abroad. This is especially so in eastern Europe, looking to the Germans for a lead out of post-communist chaos, and was underlined by the visits this month to Germany of the prime ministers of Poland, Romania, and Czechoslovakia. But Mr Kohl will not be well-placed to push through tough decisions. Although he has reaped a clear unity bonus, on the domestic front the chancellor is still neither well-liked nor well-respected.

The CDU chalked up notable election victories on March 18 for the east German parliament, and on October 14 in four out of five state elections in the new east German Länder. But, otherwise, Mr Kohl's party increased its share of the vote in only two of the 12 west German state and national polls since the last general election in January 1987. Opinion surveys this week indicate that the Christian Democrats, together with their Bavarian partners, the Christian Social Union (CSU), are likely to lose ground compared with the 44.3 per cent score in West Germany four years ago. This result itself was the conservative parties' lowest since the first West German general election in 1949. In Germany's proportional representation system, this translates directly to loss of decision-making clout.

The relative weakness of the expected CDU/CSU performance – in spite of a lead of about 10 percentage points over the SPD – reflects the further fragmentation of German politics since 1987. The sturdy showing of the Free Democratic Party (FDP), junior partner in the coalition, which is expected to poll about 10 per cent, together with the continuing minority appeal of the Greens' ecology party, reduces the share of votes and seats accruing to the Volksparteien (people's parties), the CDU and SPD. So too does the campaigning presence of the far-right Republicans and the former East German Communist party (PDS), which will together wean away the fringe vote on the left and right.

Germany's federal political system has been a four decade success story. But unification and the sharp economic differences east and west of the Elbe will make federalism more cumbersome and less effective. Mr Kohl faces four more state elections next year and two in spring 1992 before a two-year pause up to spring 1994. The CDU/CSU has a precarious 35 to 33 majority over the SPD in the Bundesrat, the Länder council which has veto rights over much key legislation, including all tax laws. Mr Kurt Biedenkopf, a long-time Christian Democrat rival to Mr Kohl, is the new premier of Saxony in east Germany. He has already warned that the CDU-run east German states will stoutly defend their own interests.

Next year is likely to see confrontation between Bonn and the Länder over Mr Waigel's demand for more regional help towards defraying the costs of unity. In particular, Mr Waigel wants to revise the decision, rashly conceded in the summer, to freeze until 1992 the share of value added tax revenues accruing to the Länder. The SPD-led states have already signalled stiff resistance. One emotive problem represents the financial burdens on local government in the west caused by heavy immigration. The overall influx into west Germany of ethnic Germans from eastern Europe and asylum-seeking refugees has totalled an unprecedented 1.6m people since January 1989.

The difficulties in the old Federal Republic pale into insignificance, however, compared with those in the east. The government and the new Länder are making only a start at tackling a host of tasks ranging from cleaning up the environment to reforming the judicial, education and health systems. Reflecting a combination of a fiercely contracting economy and strains with organised labour, pain cannot be avoided. This week's strike by employees of the overmanned east German state railway in support of higher wages and a no-redundancies pledge is a sign of new tension with the trade unions. Government employers have meanwhile denounced the unusually high 10 per cent pay demand for 4.8m public sector workers lodged last week by the OTV public service trade union.

The main question for Sunday night surrounds not the election result, but how long Mr Kohl's new government can stay out of the mire. The chancellor himself is realistic enough to know how quickly political success can turn sour. After the near-assassination in October of his crown prince, Mr Wolfgang Schäuble, the interior minister – who made a brave return to the cabinet on Wednesday in a wheelchair – Mr Kohl has no obvious successor within the CDU. But unless the chancellor takes a firm grip on the challenges facing the country, his position – and Germany's – will soon start to look a lot less secure.

OBSERVER

Fresh Job for Reuters

■ Hard-bitten ex-Reuters' hands have always been rather sniffy about their old employer, suggesting that one of the best ways to ensure a safe job in Reuters' top management was to be a failed journalist. However, this is hardly the case of the 49-year old Peter Job, who has been annointed to take over from Glen Renfrew as chief executive of one of the world's most successful companies.

He joined Reuters in 1963, after Oxford, and worked as a journalist around the world, before transferring to the business side in 1974. He made his name masterminding the company's profitable growth in Asia, in particular helping get the monitor, the key to Reuters huge business success, into Tokyo.

Nevertheless, his appointment has still caused some surprise. It bears the firm imprint of the outgoing chief executive, Glen Renfrew, who in turn surprised many when he beat Michael Nelson, for the top job in 1981.

For several months, as Reuters' share price has collapsed in the face of mounting delays on new product launches, and subscriber cancellations, there has been growing speculation that the 62-year old Renfrew would soon be retiring. There was even a rumour that Martin Taylor, chief executive of Courtaulds Textiles and a protegé, of Sir Christopher Hogg, the Reuters chairman, might be brought back into a company where he first trained as a journalist.

However, the real unlucky losers are André Villeneuve, in charge of Reuters America, who once appeared the coming man but has like everybody else found it difficult to make big profits out of America; and David Ure, the silent power in charge of Europe.

The big question now is whether the new chief executive has the all-round perceptiveness to see, Walter Wriston-like, the future of a fast-changing industry. This has always been the great strength of Renfrew, who has orchestrated Reuters' development into one of the most feared competitors in its field.

But its rapid growth has resulted in a bloated company, badly in need of some attention. Next Tuesday, US investors, who are nursing heavy losses on Reuters shares, will get a first chance to see whether Peter Job is up to the task, when he stands up at the annual investor presentation in New York.

Political punts

■ "Always back the outsider of three," the saying goes. Like so many words of wisdom about betting, there is always a sneaking suspicion that they are dreamt up by the bookmakers to fleece the legions of mug punters.

The 14-1 offered on Mr Douglas Hurd shortly before the off in Tuesday's Downing Street Hurdle looked enticing but, as so often with an apparent "good thing", he came unstuck at the first flight. It must be said, though, that the eventual winner was, briefly, the outsider of the three runners.

Another adage has it that "the bigger the field, the bigger the certainty". Last week, when the number of runners was unknown and the theoretical field was 372, our new prime minister was out with the washing at 33-1.

After Tuesday's result, bookmakers were crying over their bulging satchels, claiming they were preparing to pay out £1m in the wake of Mr John Major's victory. Certainly there was an inspired punt by an overseas supporter of the former chancellor, who placed two bets of £10,000, one at 6-1 the other at 5-4, with Ladbrokes.

"Leaving school at 16 did nothing for me."

However it should not be forgotten that the bookies' coffers were awash with cash lost on Mrs Margaret Thatcher, having taken individual bets alone of £20,000, £15,000 and £10,000 about her retaining the premiership. It must also be remembered that the bookies were decidedly wary about long-time favourite Mr Michael Heseltine. On Sunday, as money reportedly flooded in for the new environment secretary, William Hill described him as "the man we fear".

Some punters, of course, never give up. One gambler has already placed a £50 bet at 200-1 that the Tories will reinstate Mrs Thatcher as premier next year.

The big sweat

■ If the indefatigable Richard Branson gets as much publicity for his second attempt to cross the Pacific in a balloon as he normally does, then the world is going to being seeing a lot of Pocari Sweat. Mr Branson will be swinging along under this curious title, which is printed on the outside of the basket underneath a big Virgin. What else?

Although it sounds like a mysterious elixir collected from the hide of some exotic beast, Pocari Sweat is merely an isotonic soft drink developed 10 years ago by Japan's Otsuka Pharmaceutical. It has become hugely popular. Otsuka says Pocari was composed from the words power, care and alkali (which sounds like "arukari" in Japanese) and sweat added an athletic feeling. Although the name is somewhat off-putting to those whose mother tongue is English, it has no such negative resonance for Japanese drinkers.

Similarly, people in Taiwan, South Korea and Indonesia, where it is now produced, may not be put off by the name. But I was surprised to learn that it has become popular in Ireland following an Irish rugby tour to Japan a couple of years ago.

Mrs Robinson

■ Mrs Mary Robinson is due formally to be inaugurated as Ireland's first woman president on Monday. There are some who forecast it will not be long before constitutional crises erupt as Mrs Robinson takes on the male dominated Irish political establishment. But so far all is apparently sweetness and light.

The government led by Mr Charles Haughey, not a great Robinson fan, has agreed to a six fold increase in the President's entertainment expenses. Mind you, some readjustment was long overdue. Till now Irish pounds 15,000 was all the expenses spending allowed to an Irish President each year.

Small craft

■ From a Norfolk school magazine: "This little book should be read by every beginner, for it tells one everything one needs to know about sailing in a nutshell."

POLITICS TODAY

Now events, not vision, will be driving policy

By Joe Rogaly

An unscripted remark by Britain's prime minister keeps running through my head. "By and large," said Mr John Major when we conversed on Monday, before he got his new job, "events are the greatest single determinant of policy over any measurable run of years." Do not trouble yourself to analyse this passing truism, produced in rapid answer to an unimportant question. It would be unfair to pin the precise words on the man who uttered them. It would be wrong to tease him for their banality. The general thrust his sentiment conveys is what keeps haunting me.

For, it is further evidence that we are now governed by a Conservative party in which ideology, vision, conviction are no longer to be the principal driving forces. The effects of those admirable characteristics, as expressed over the 1980s, may linger for a while; the fire in the blood is dying down. We do have an alternative – a Labour party in which conviction, vision and ideology are three years dead.

When you think about it, this is not particularly surprising. Labour lost three elections in a row because it was burdened by unpopular policies. These now seem eminently forgettable: nationalisation, a restoration of the extra-legal powers of trade unions, unilateral disarmament, sullen hostility to the European Community, a fundamental shift of power to the working classes and so on. The socialist agenda has been discarded; what remains is a managerial team, hoping to sell itself to the electorate as a better set of managers than the Tory one.

Much the same has happened, in speeded-up motion, to the Conservatives. Until a fortnight or so ago it had become increasingly apparent that they were sliding from what had seemed like a pinnacle of invulnerability immediately after the 1987 election towards slaughter by the voters some time before June 1992. The primary reason is that they got their economics wrong, but the secondary reasons are of great importance. The poll tax was described by the former prime minister as her "flagship". In truth it is a distillation of the essence of loopy new right theology, prepared by some of her captive mad scientists. She swallowed the deadly potion, and, in the public mind, became transformed. Meanwhile, another group of passionate fanatics, the Europhobes, fed her imagination and played sombre background music to her more discordant declamations.

The consequence was that the lady herself became the embodiment of the Conservatives' unpopular policies. It was not seemly to make too much of this last week, but the cold fact is that many people rejoiced at the news that she was no longer to be prime minister; probably more than the number who shed tears. The polls show it; their evidence is given colour by anecdotal evidence about entire classrooms, or carriages full of underground travellers, cheering loudly. In this sense her resignation is of the same order of importance for the Tories as the policy review was for Labour.

In short, both parties have rid themselves of their unpopular elements. Neither has come up with a fresh central objective, a flag, an ideal with which to inspire their followers. The Labour party does represent a tendency to favour public provision of goods and services where the market is inadequate, and the Conservatives will surely continue to nibble away at the frontiers of the state, while Mr Major will argue the virtues of a classless society. Big deal. As to inspiration, as to philosophy, as to formulating aspirations for the British polity in the coming century, both offer next to nothing. Events are to be the determinant. What we now have for two-party politics is a pair of soulless organisations managed by zombies in grey suits.

* * *

The consequences need not be all bad, not if you narrow your focus from considerations of our national identity down to practical, everyday issues. Take schools. In yesterday's Daily Telegraph the education secretary, Mr Kenneth Clarke, is quoted as saying that the problem we have to address is: "How to raise standards in the state system so that no one need feel they have to send their children to an independent school or move house to be near a decent comprehensive."

I have not heard a Conservative education minister saying that before. I rang his department to check. Yes, he said it, and, yes, he believes it. So do I; I have been of the same opinion for a quarter of a century. So is the Labour education spokesman, Mr Jack Straw, who has been saying it for years. He repeated it yesterday. "I want to make state education so good, far fewer parents will feel pressured into going private," he said.

Following a seminal address by Sir Claus Moser at the British Association for the Advancement of Science, Mr Straw's prolonged efforts to bring education to the forefront of political debate have begun to bear fruit. It was at the top of the list at the recent Labour party conference, and it has become a matter of prime public concern. On Monday a fresh Labour pamphlet will be promoted by Mr Straw, with the backing of the party leader, Mr Neil Kinnock. He will be pleased to have the opportunity, and grateful to be seen taking an initiative. The promotion will be part of a concerted effort by Labour to get itself back in the news and therefore higher in the opinion polls, following weeks in which the affairs of the Conservatives have obliterated everything else.

There may be headlines about Labour's opposition to city technology colleges, opted-out schools and assisted places for public schools, all of which it regards as bastions of privilege, or a waste of money. The underlying story is that Mr Straw would modify the national curriculum, maintain testing (albeit as a means of helping children rather than sorting them by ability) and seek to raise the standards of teaching. He would also aim for better-managed schools: heads would be assessed, just like teachers. Bad teachers would be sacked. Local authorities would be obliged to monitor their own and their schools' performance. There are a great many specific proposals to this end.

I am not sure with what degree of verve Mr Clarke will promote opting out and city technology colleges now that we have a new prime minister, but whatever happens in that area is marginal. The priorities for the government, as for Labour, must be: improvement of the curriculum, the teachers and the management of schools. If the minister accepts that, as I hope he does, he will not be out of tune with what Mr Major said on Monday was his own approach.

This means that whatever the differences of detail, whatever the political skirmishes Labour and the Conservatives (I'll get back to the Liberal Democrats another day) are at least debating the right issues when it comes to education. Most voters will take the word of the party seen as likely to provide the most cash to back up their schemes. It is easier for Labour to promise more spending than it is for the Tories; Mr Major has limited money to put where his mouth is. Yet in getting to the heart of what parents want, and saying it well, the bluff Mr Clarke will be a difficult opponent for Mr Straw to outjaw.

* * *

Education strategy is not Mr Kinnock's largest problem. Health and education are Labour territory; most voters instinctively believe the Conservatives to be unenthusiastic about them, as about other social services. The Tories have sharply increased spending on the welfare state, but they cannot reap a political reward. It is the same in reverse with crime: however much of it there is, and however public concern rises, the belief is that the Tories are more reliable in these matters than Labour. Only an outbreak of over-enthusiasm on the part of the new home secretary, Mr Kenneth Baker, could turn the tide of opinion the other way.

Mr Kinnock's problem, his handling of himself apart, is Europe. His "shadow cabinet" has taken on board a paper on economic and monetary union that appears to accept the inevitability of a single currency. It rules out a two-speed Europe, argues for British participation in the forthcoming negotiations, and lists a number of conditions for moving forward on a slow timetable, such as economic convergence, the accountability of the proposed new Eurofed to the assembled finance ministers of the member states, and so on. Eurofed would be sited in London.

There is an effort to have it all ways. "Closer integration within the community and progress towards monetary union must not be allowed to prevent 'widening' of the Community," says the Labour paper, going on to welcome Efta countries and, in due course, the east Europeans.

This is all clever-clever stuff, and it seems to outflank Mr Major. Politically, pro-Europe probably appeals to more voters than anti-Europe. Mr Major's willingness to do a deal but his insistence on rejecting an "imposed" single currency may be tilted an extra degree anti-Europe-wise by Mr Norman Lamont, the new chancellor of the exchequer. At worst, that could make the deal fall apart. The result: another walk away from the 11 other members of the EC, and a further split in the Conservative party.

This is not impossible, but the process is as fraught with danger for Mr Kinnock as it is for Mr Major. The Labour paper shows how careful and circumlocutory the opposition party has to be to keep itself together on this matter. You may argue that the Bruges tendency among Conservatives is so coherent, and so powerful that it could wreck any carefully constructed Tory compromise. Maybe. But maybe not. Mr Major, who turned the Madrid conditions for entry into the exchange rate mechanism from a blocking device into a door-opener by the simple use of weasel words, may well repeat the trick towards the end of the intergovernmental conference. He knows that when it comes to Europe fudge is the right cement for the Tories. He will apply it liberally but, as he well knows, events will determine the outcome.

LOMBARD

The wrong way to privatise

By Barry Riley

One of Thatcherism's characteristics was its tendency to over-politicise social or commercial transactions. Nowhere has this been more apparent than in the privatisation programme.

It looks as though, in selling off the electricity distribution industry, the government is bent on a re-run of the extraordinary excesses of the water industry flotation a year ago. Many hundreds of thousands of applications will flood in for each of the 12 companies. It can be assumed that barring a stock market collapse before December 5, when the issue closes, most allocations will be scaled down to between 100 and 500 shares each.

There will be no possibility that a serious long-term investor could buy a sensible holding in a single company of, say, £5,000 to £10,000. Thus the offer is being turned into a stags' party.

Those who want to promote private share ownership as a serious and responsible element of the savings industry can only be affronted by the manner in which the government is persistently sending out all the wrong signals. Privatisation could have been mounted in a way which would have encouraged private sector companies to follow suit. Instead, they will be repelled by the spectacular and extravagant blizzard of paper.

Stockbrokers and newspapers are advising their clients and readers that the best way of making money out of the electricity privatisation is to apply for small stakes in every company on behalf of not only themselves but also as many family members as they can legally speak for. A family of four could thus wind up with 48 separate tiny holdings.

But a serious investor who wants to put £6,000 of electricity shares into a personal equity plan will have great difficulty in knowing how many to apply for, bearing in mind the inevitability of scaling down. The government invented peps, but has failed to integrate them into its privatisation programme.

An investor may have to commit vast sums to be sure of receiving £6,000 worth of allocations. Alternatively, if he applies in parallel on behalf of family members and then later consolidates the allocations into his own pep he may lose the benefit of incentives, like bonus shares.

Surely it would be much more sensible to encourage people to invest in savings schemes. They could sign up, say, for a £50-a-month five-year plan, convertible into electricity shares at maturity. Prudent investment would be rewarded, and a speculative scramble avoided. After five years investors could consider calmly whether to take a profit or hold for the longer term.

However, such an approach would not achieve the government's apparent objective of the creation of millions and millions of new – albeit often temporary – shareholders.

Nevertheless, if the government wants to be serious, rather than just gimmicky, about encouraging wider share ownership, it must take into account the microeconomics of running an individual's equity portfolio. Each holding must be of reasonable size, preferably of several thousand pounds, to avoid proportionately excessive dealing charges, and there must be enough separate investments (ideally 10 or more) to provide a prudent degree of diversification. Twelve investments in electricity "discos" cannot provide this spreading of risk.

Whereas it looks as though 500 shares may be the maximum allocation, it would have been much better if 1,000 shares, fully-paid, had been the *minimum*. This might have been seen as discriminating in favour of the wealthy, but the point is that only the relatively well-off should be investing in shares in the first place.

Ways should be devised – profit-sharing, deferred dealing provisions and so on – of ensuring that the buyers could not immediately take their profit in a provocative way. If the government were really determined to be fair it should *give* the shares away.

Mickey Mouse allocations in response to over-stimulated demand cannot create a stable shareholding culture. Instead they will perpetuate the idea that share ownership is a form of gambling for the greedy.

LETTERS

How the mighty have fallen

From Mr David Jones.

Sir, Those of us who have been victims of the short termism and arrogance of the large investment institutions cannot but have a wry smile at the discomfiture of the largest.

It has been written that, were an industrial company to suffer losses of about £250 million in an ill-judged diversification, the institutional shareholders would be questioning the chairman's future, and probably that of other directors as well.

This would certainly have been true where the company concerned:

- Bought at the peak of the market cycle at excessive prices;
- Failed to ensure that key staff were bound by firm contracts with strong non-competition clauses; and
- Scrapped the brand names so expensively acquired, and tried to replace them with an expensively acquired, new, artful corporate logo.

It is ironic that all these mistakes, and more, were perpetrated by a management that had adopted the assumed panacea of separation of the roles of chairman and chief executive.

Is it too much to hope that those institutions will go back to selling insurance, or whatever, and leave commercial investment and active management to experienced professionals?

David Jones,
3 Moor End,
Eaton Bray,
Dunstable, Beds.

New thinking needed to beat recession

From Mr Ashley Mote.

Sir, The depth and nature of the recession now hitting British industry is generating problems and hardship of a kind not seen in recent times. New attitudes and remedies will be needed to deal with them.

Despite current political optimism, this recession is likely to be longer and deeper than most. It is being led by company failures, not by massive increases in unemployment – yet! We are now tied to Bundesbank policy, and the interest rate and inflationary pressures emanating from eastern Europe. The French had a hard enough time linking the franc to the D-Mark; our experience is likely to be worse.

These, and other global forces outside government control, will in all likelihood make this a granddaddy of a recession. We have not seen forces like these at work on such a scale since the 1930s.

There are two consequences which need addressing if this present down-turn is to be controlled, and a collapse of industrial and commercial enterprise avoided.

First, the banks and building societies – despite the pressures already on them – should recognise the extraordinary and uncomfortable position of responsible borrowers who have risked everything to start or expand a business, and who now find themselves with government-inspired increases in costs, turnover vanishing, and no income to meet their obligations. Estate agencies are becoming swamped with homes up for enforced sale. A nationwide fire sale will do nobody any good.

Secondly, when things return to something like normal – and that might be some time yet – a large number of this generation of entrepreneurs will have been lost to the country, and the following one will be a great deal more cautious.

There are now thousands of enterprising individuals with little prospect of work in the present climate, debts that will perhaps take years to settle, and years of effort wasted. There ought to be means of helping them back from the abyss, and harnessing all this talent and experience.

Does it really make sense, for example, for Customs and Excise to demand huge personal guarantees from people trying to start again, based on theoretical VAT outstanding from a previous business, which was perhaps many times bigger? Yet that is what they are doing. What kind of insight is that? Is government to be excluded from the consequences of this recession?

There is much rethinking to be done. We are in uncharted waters. The banks might find it in their own interests to develop the resources and experience to help. They were keen enough to help enterprise on the way up; there is an even greater need to manage the way down.

Ashley Mote,
Overdeans Court, Dippenhall,
Farnham, Surrey

Time for bottom-up development

From Mr Martin Vile.

Sir, Money cannot be taken out of the "arena of politics" ("Mrs Thatcher and EMU", November 2) by being made the responsibility of institutions formally independent of governments, any more than the EC Commission can be considered an apolitical institution by virtue of the formal independence of its members. Money creation, interest rate policy, exchange rate policy, and surely by necessary extension, budgetary and therefore fiscal policy, do not simply "facilitate the welfare of citizens" – they determine it, both in aggregate and, as important, in relative terms as between one group and another.

Moreover, to treat monetary stability as such as the supreme goal is itself a subjective value judgment, not a truism. That stability is seen as a key component of success. But it did not deliver acceptable broader economic performance in pre-war UK; there have been conspicuous post-war examples (e.g. Italy) of high inflation, high productivity, high growth economies. Like most important and difficult issues, economic issues are multi-dimensional, and therefore a matter of judgment, priority and preference (and therefore politics) not susceptible to determinism.

For 30 years, political, academic and press opinion in the UK has pursued a succession of top-down fashions to disinflate the UK economy – incomes policies, monetary targets, now a return to fixed exchange rates. Long-term progress seems unlikely without the bottom-up development, of the necessary values which will enable price-stability to be (and to be seen to be) in the self-interest of the generality of individuals as well as in the interest of the greater community.

Martin Vile,
12 Copley Park,
Streatham, SW16

150,000-an-hour dilemma for traffic chief

From Dannie Hawkins.

Sir, If traffic flows on the M11 are peaking at 150,000 vehicles per hour ("Putting the brakes on road traffic", November 28), I do not envy the position of the incoming transport minister.

Dannie Hawkins
survey manager,
Vincent Knight Traffic Consultancy,
108 Kingston Road,
South Wimbledon, SW19

Steely response to Cement Association claims

From Dr Derek Tordoff.

Sir, Mr M.Clarke, Marketing Director for the British Cement Association ("Steel has been featherbedded long enough", November 22) claims to have a "growing feeling" that concrete has reversed steel's market share trend and "firm evidence" that it is cheaper and quicker to build in concrete than in steel. The facts are that over the past decade clients have recognised the merits of building in steel to such an extent that over 50 per cent of buildings taller than one storey are built in steel now as opposed to 1980, when only 30 per cent were. Concrete's share has declined rapidly, whilst masonry has held its own.

Mr Clarke also seems to believe that the steel construction industry's investment for the future in the education of tomorrow's architects and engineers is being financed by "public money" and that our "featherbedding" must stop. The facts are that our education programmes are funded primarily by private industry. The European Commission supplied a relatively small percentage of funding for one programme, the European Steel Design Education Programme.

It is the investment (by British Steel and the members of my association) in quality, efficiency, new technology, speed and cost competitiveness, combined with enlightened building practices, which has resulted in steel's success.

Derek Tordoff,
Director, The British Constructional Steelwork Association
4 Whitehall Court,
Westminster, SW1

FINANCIAL TIMES
Friday November 30 1990

SOVIET DECISION HAS IRONIC OVERTONES

Moscow seeks solace in IMF fold

By Stephen Fidler, Euromarkets Correspondent, in London

THE Soviet Union has decided in principle to join the International Monetary Fund and the World Bank. Its decision to *join the organisations, two pillars* of the west's post-war economic and financial system, is heavy with symbolism. But it carries its share of irony for a country that was vice-chairman of the 1944 Bretton Woods conference which created the institutions.

The decision, conveyed in Moscow this month by Mr Eduard Shevardnadze, Soviet foreign minister, to Mr Barber Conable, World Bank president, has a more practical significance for the Soviet Union.

It desperately needs foreign money and the IMF and World Bank *have* it. Soviet reliance on official finance from abroad has grown with the collapse of its credit rating over the past year – commercial bank loans have dried up. But loans from the two institutions are unlikely to be forthcoming before 1992, according to western officials.

Soviet membership of the two institutions will take significantly longer to agree than for its eastern European neighbours which joined this year, even though an extensive study into the Soviet economy is almost completed.

Next week, the team leading the study, commissioned this year at the Houston economic summit by the leaders of the Group of Seven industrialised countries, will visit Moscow for final discussions with Soviet officials. The study will be made available to G-7 governments next month

The central part of the study is expected to be fairly brief – in the words of one official "to encourage the politicians to read it" – but there will be up to 1,000 pages of background papers.

The Soviets will not make a formal membership application until they are sure they will be accepted. This means ascertaining the views of prominent shareholders. Most significantly, it means enlisting US support, which should in time be forthcoming.

The study will underline that the Soviet people are far worse off than their neighbours immediately to the west, which means the Soviet Union will qualify as a borrower from the World Bank. In fact, it will probably be the institution's largest borrower. There are therefore worries in the developing world that it will divert resources away from them.

About 40 per cent of the shares in these institutions are held by developing countries. Although a simple majority of shareholders is needed for a new member to join either organisation, the World Bank does not have enough unissued shares to accommodate *the* Soviets. Therefore a capital increase will be necessary and that needs ratification by 75 per cent of shareholders.

The question of pecking order in the institutions has also to be addressed, and in particular whether the Soviets should have their own seat on the board – like the top five shareholders, the US, Japan, Germany, France and Britain.

But the most difficult issues surround the Soviet Union's domestic problems. With the Union looking increasingly shaky, few people are willing to predict the political shape of the USSR even two years from now. "How many members will there be?" asks one central banker.

The Bank and Fund annual meetings in September were attended by a Soviet delegation as official observers – and an unofficial team from the Russian republic.

Two Soviet republics – the Ukraine and Byelorussia – are founder members of the United Nations, a legacy of Stalin's wish to see the supposed British control over Canada and Australia neutralised. There have been hints that they may wish to take seats at the Fund and Bank.

The other problem, made infinitely more complex by the centrifugal forces at work in the country, is the lack of agreement of a coherent economic reform programme.

The study will underline that economic reform is essential before the Bank and Fund can lend. This will comfort those who worry about pushing huge sums into a "black hole". But it will provide little solace to those in the Soviet Union seeking to feed themselves through a freezing winter.

● Moscow is putting the finishing touches to emergency *plans for distributing foreign* and domestic food supplies as its centralised distribution system collapses, Leyla Boulton reports from Moscow. Avoiding industrial unrest is another priority.

Mr Andrei Orlov, deputy chairman of the Soviet government's *economic reform commission*, said the army would probably be used to ensure that food reaches its destination.

Priority destinations are big cities such as Moscow and Leningrad.

Distribution plan, Page 2


Mikhail Gorbachev speaking in Moscow yesterday

The German "Help Russia" emergency food aid programme began in earnest yesterday with the airlift of 700 tonnes of food to towns in the Soviet Union. Chancellor Helmut Kohl confirmed that most of the food reserves stored in west Berlin would be given free to the Soviets. The reserves of 350,000 tonnes of food are valued at DM500m. In the Soviet Union, the government finalised emergency plans for *distributing foreign and domestic food supplies*. Page 2

Germany prepared to ease policy on farm subsidies

By David Goodhart in Bonn

GERMANY is prepared to soften its resistance to radical reform of the EC's agricultural protectionism, one of the main conflict points in next week's negotiations under the General Agreement on Tariffs and Trade (Gatt) negotiations, according to Mr Lorenz Schomerus, a senior official in the Bonn Economics Ministry.

Mr Schomerus revealed few details but said that Germany was ready to negotiate and that the EC would not be an "unmoving colossus" on agriculture. However, he added that agriculture was only one of four sectors of dispute – the others being textiles, intellectual property and services – and stressed that the US must also be ready to compromise.

The German government has been expected to relax its negotiating position after securing re-election in Sunday's general election.

The centre-right coalition had been reluctant to appear to undermine the interests of German farmers before the election.

Mr Schomerus confirmed that there was now more room for manoeuvre but said that any income loss suffered by EC farmers would have to be compensated through other EC payments.

He said he was hopeful that a general political agreement could be reached at the end of next week's negotiations which could then be transformed into more precise, technical documents before the "real deadline", which Mr Schomerus described as mid-February.

He was, however, critical of the US demand to remove transport and financial services from a general agreement on services.

The Bonn Economics Ministry has always taken a more liberal line on agricultural *subsidies than the Agriculture* Ministry and Mr Schomerus stressed that only 2.2 per cent of EC GNP came from agriculture, compared with just under 50 per cent from services.

● The American meat and pork industries have filed an unfair trade petition asking the US government to impose sanctions against the EC for erecting a "blatant trade barrier" against US beef and pork imports, Nancy Dunne reports from Washington.

US pork imports have been banned since November 1, after EC inspectors found "insufficient general hygiene and veterinary control" in nine plants previously allowed to export to the Community. A ban on beef exports, also on grounds of health and safety, is to go into effect on December 31.

The Section 301 case, filed by the National Pork Producers Council and the American Meat Institute, allows the US government wide latitude to negotiate and retaliate.

The petitioners estimated their market losses, growing *out of the meat safety regulatory* regime imposed under the Third Country Meat Directive, at about \$112m a year. They estimated damages for sales lost to the EC beef hormone ban at an additional \$138m a year.

The two organisations insisted that food safety was not really at issue.

"More than two-thirds of the meat consumed in the EC does not comply with the artificial barriers imposed on imports of US meat," they said.

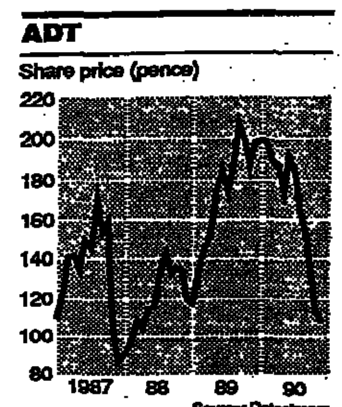
THE LEX COLUMN

When the tenant calls the tune

If history is any guide, the balance sheets of property blue-chips like MEPC may have already seen the worst of the UK's commercial real estate slump. Nothing is easier than to draw up charts showing that with retail properties yielding 7.5 per cent, and City offices little less, the market should be bottoming out. The trouble is that in the 1990s, with recession creeping through one sector of the economy after another, perhaps the historical comparisons simply do not apply. Even if yields are peaking, for perhaps the first time since 1945 British tenants face a long period in which they can pick and choose some types of space at will. The impact that will have on rents is now the critical part of the equation.

The good news from MEPC's annual figures yesterday was that its UK offices have lost about 13 per cent of their value since autumn 1989, while its retail portfolio is down about one-sixth. So UK property is in a bad bear market, but has not crashed. The less good news, symbolised by MEPC's huge unlet Alban Gate project over London Wall, is the sheer lack of a clear fix, even from an experienced operator *like this*, on how far rents may fall, in the City and elsewhere, and when they will start growing again.

For MEPC, with net rental income last year of 2.2 times its interest bill, this is not critical. Though its net asset value may well fall again in *1991*, from September's 790p per share, its gearing should rise next year to no more than 60 per cent. The real difficulty lies with the £40bn of outstanding bank lending to the property sector. Quoted property companies probably account for no more than a quarter of it: just where the rest went is now an urgent question.



UK banks

Surprise, surprise, the banks' bad debts are piling up. Judging by yesterday's markdowns in the share prices of Barclays and NatWest, it sounds as if this comes as some sort of revelation. Any banker will confirm that since the summer, the financial condition of many customers has taken a sudden turn for the worse. However, the marked divergence in yesterday's share price performance of the UK's two strongest banks versus the two weakest – Standard Chartered and Midland – suggests what has been really happening.

The big banks were an easy *way to play a market rally and* this is why the sector has outperformed the market by close to 10 per cent over the last month. The banks with most to lose from rising bad debts – Standard Chartered and Midland whose *shares* are almost as lowly rated as junk bonds – hardly budged yesterday.

Indeed, the full year results from the Royal Bank of Scotland are a much better guide to the current health of the UK banking industry. Its second half provisions of £136m are more than *double those in the* first half, and full year bad debts are equal to a shade over 1 per cent of total advances. However, it is cautiously optimistic that this is the peak, and has raised its dividend by nearly 17 per cent. It has finally stopped paying silly prices for small US banks and seems confident that it can continue to generate above average dividend growth in the face of declining underlying earnings. If this is representative of the healthier UK banking players then it is hard to be overly bearish.

ADT/BAA

The more case histories unfold, the more it looks as if the hostile long-term stake is proving an expensive and futile way of expressing interest in a company. The list of stake-building managements caught by the turn in the market includes Hoylake with RHM, Maxwell with De La Rue and Trafalgar House with Costain. Note the prevalence of entrepreneurs.

Mr Michael Ashcroft's ADT has now reminded us that it belongs to this exclusive club by selling the half of its 8 per cent stake in BAA not covered by a convertible preference share issue in March. After deducting costs, it probably booked a small profit on yesterday's exercise. Had it done the *deal in July, when* BAA shares were well over 450p, ADT might have claimed some respectability for its unlikely tilt at this bid-proof windmill.

The loss of credibility aside, Mr Ashcroft must be even more bothered by his loss-making 25 per cent stake in Christies International. Christies' shares have collapsed to around 180p since the stake was built at around 290p. ADT may practise equity accounting to avoid booking a near £40m loss. But it has no escape in the long run; the market simply cannot see any industrial logic in it acquiring Christies. Consider also its 20.1 per cent stake in Lep Group, and ADT looks over-supplied with dubious investments at a time when the recession-proof character of its operating businesses is facing its first real test.

BZW

The £111m being spent by Barclays Bank on buying out the minority shareholders in BZW is striking on at least two counts. As a second bite at the cherry, the average £580,000 being enjoyed by the ex-partners of Wedd Durlacher and de Zoete & Bevan looks pretty generous. The price is over 20 times last year's earnings, or four times the multiple accorded to Barclays itself. The securities business may or may not have higher growth prospects than traditional banking. It certainly does not enjoy a vastly higher quality of earnings.

The value of around £750m imputed to BZW as a whole is also slightly eyebrow-raising. Smith New Court, BZW's close rival in UK market-making, is one third its size by number of employees worldwide. Its market capitalisation, at some £25m, is one-thirtieth of BZW's. Its market value is also very much less than its capital employed, which seems have to been the chief criterion Barclays used in valuing BZW.

The wider question is what Barclays gets for its money. One practical effect will be to make it simpler for BZW to get loan backing from its parent, since there will be no minority shareholders to complicate matters of collateral. But the deal also fits in the context of the group restructuring announced three weeks ago. The general purpose of this appears to be for Barclays to assert more control over its investment bankers without suppressing their culture. The snag is, of course, that the more the mainstream bankers assert themselves, the less they are likely to get for their *money*.

VW to form second Chinese joint venture

By Kevin Done, Motor Industry Correspondent, in London

VOLKSWAGEN of Germany, the leading European car maker, is to form its second car assembly joint venture in China with the aim of building 150,000 cars a year by 1996.

It is taking a 40 per cent stake in a joint venture with the First Automobile Works (FAW) in Changchun, north-east China, as part of its ambitious plan to play a leading role in the Chinese motor industry with the development of a low-cost manufacturing base in Asia.

The venture, to be called FAW-Volkswagen Automotive Company, will be 60 per cent *owned by First Automobile* Works.

It will have an initial equity capital of DM600m (\$405m).

VW said the project would involve a total investment of DM1.5bn and would include engine and gearbox plants as well as car assembly.

The venture will assemble VW Golf/Jetta-sized cars for the domestic Chinese market and for export to other markets in south-east Asia.

Small-scale production is due to begin in 1993 with the full capacity of 150,000 cars a year in 1996.

As a preliminary step, VW said it was intended to begin the local assembly of Golfs from kits supplied from Ger*many from the third quarter of* 1991.

Initial production – a total of 17,000 cars by the end of 1993 – will be aimed exclusively at the domestic Chinese market. Exports are scheduled to begin in 1994 rising to a peak of 22,500 a year.

The joint venture is aiming to achieve a local content level of 65 per cent by 1994, and this is supposed to rise in subsequent years.

Volkswagen formed its first joint venture in China in 1985 with a 50 per cent stake in the Shanghai-Volkswagen Automobile Company for the local production of the VW Santana.

The German group said local suppliers developed for the *Shanghai plant* would play an important role in increasing local content for the Changchun-produced cars.

The First Automobile Works has been assembling another VW group product, the Audi 100, since 1989 as part of an earlier licensing and technology transfer agreement made in 1988.

It is expected that about 10,000 Audi 100 models will have been produced by the end of this year. The full capacity of 30,000 a year is expected to be reached by 1995.

VW said that the expansion of the range of cars to be produced in China spanning the Golf/Jetta, Santana and Audi 100, was aimed at creating an *integrated production network* with common components suppliers.

BAe plans cuts in military aircraft arm

By Paul Betts and Charles Leadbeater in London

BRITISH AEROSPACE, the country's prime defence contractor, plans to drastically restructure its military aircraft operations next Monday.

BAe is expected to cut 4,500 jobs, or 17 per cent of its total workforce, at its military aircraft division. *Plant* closures are also likely.

The proposed job reductions at BAe would be by far the biggest announced by any single UK defence company so far this year, following government defence spending cuts and the thaw in east-west relations.

It was also announced yesterday that Link-Miles, which was taken over by Thomson-CSF, the French electronics company, last year, is to make 325 redundancies at its plant in southern England in response to a marked slowdown in orders.

The redundancies among the 1,325 staff employed at the company's plant are further evidence of the pressure defence contractors are under from the decline in military spending.

The company, which manufactures training simulators for aircraft, land based weapons systems and naval operations, denied that the redundancies resulted from a review by Thomson-CSF of how the British company would fit in with its continental European operations.

BAe confirmed it would announce to the workforce of its six military aircraft plants on Monday the conclusions of an extensive four-month review of that section of its operations, which employs a total of 26,000 people in the UK and abroad. The conclusions are also expected to include one, or *possibly* two, plant closures.

In anticipation of wide-scale job cuts, trade unions at BAe called for the redeployment of workers from military aircraft to commercial aircraft operations.

The BAe review was precipitated last July after the government cancelled a batch of 33 Tornado combat aircraft for the Royal Air Force.

"The principal reason for undertaking the review were changing market conditions, advances in technology and the need to reduce further manufacturing costs to remain competitive," a BAe spokesman said.

The rationalisation of the *military aircraft operations* have been accelerated because the Tornado and the Harrier programmes appear to be entering their final stages.

Link Miles said it had been forced to make redundancies because the Ministry of Defence had not placed any new contracts this year and the timetable for existing programmes had been put back.

The company said that it was committed to maintaining its manufacturing base in the UK.

Walesa warns over threat of 'civil war' in Poland

Continued from Page 1

key positions.

Preliminary results from Obop, Polish television's polling unit, suggested that Mr *Walesa was still some 15 points* ahead of Mr Tyminski, whose support has also grown since Sunday's vote.

The results also suggested there would be a high turnout on December 9.

Mr Walesa has lost much of the natural authority that he once had, and many of the votes he receives on December 9 will be grudgingly given, political observers believe.

Mr Tyminski, who edged ahead of Mr Walesa in coal mining districts hard hit by the government's economic austerity plan, yesterday sought to consolidate his lead *by attending the funeral in* Katowice of a miner killed in a coal mining accident.

Yesterday, Mr Tyminski's campaign headquarters in Warsaw's Palace of Culture remained closed, as his staff negotiated with Polish television over *the terms of an* appearance in the evening. Mr Walesa is due to debate with Mr Tyminski on television on Sunday.

Bush may call special Congress session

Continued from Page 1

were yesterday placed on a high state of alert for an Iraqi air strike. Troops were ordered onto Air Raid Warning State Yellow, one stage below full-scale attack, because of fears of Iraqi retaliation to the UN resolution supporting the use of force.

Soldiers were obliged to carry protective suits and respirators with them at all times. All warning and alert procedures were checked thoroughly.

The UK Ministry of Defence said it could not comment on the reported raised state of alert. "States of alert are constantly changing and we would not comment on an individual change," a spokesman said.

A commander of British forces in the Gulf also warned yesterday that the public had not been prepared for the likely scale of casualties if war broke out.

Brigadier Patrick Cordingley, commander of the 7th Armoured Brigade, said that given the size of the forces facing each other in the Gulf "it is inconceivable that the casualties will not be large."

He said the British public "*must* be prepared psychologically for a particularly unpleasant war" in which Iraq was likely to use chemical and biological weapons.

"They should be told there will be a lot of casualties. As a nation we have not addressed that yet."

Officers fear that the 12,000-strong brigade could suffer a casualty rate as high as 15 per cent.

A huge medical back-up operation has been established in Saudi Arabia with a 400-bed field hospital at Al Jubayl, a second 100-bed hospital in Bahrain and the Royal Fleet Auxiliary vessel Argus acting as floating hospital off the Saudi coast.

A third field hospital is due to arrive in the area soon with the 14,000-strong reinforcements announced recently.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Berlin	R	2	37	Caracas	C	26	79	Faro	S	14	57	Islamabad	F	21	70
Algiers	T	8	48	Biarritz	C	6	43	Casablanca	F	18	64	Florence	C	11	52	Istanbul	C	14	57
Amsterdam	C	7	45	Bombay	S	33	91	Chicago	-	-	-	Frankfurt	C	6	43	Jakarta	C	33	91
Athens	F	19	66	Bordeaux	C	5	41	Cologne	C	4	39	Geneva	F	5	41	Jersey	Dr	7	45
Bahrain	-	-	-	Boulogne	Dr	4	39	Copenhagen	C	6	43	Gibraltar	S	15	59	Johannesburg	S	28	82
Bangkok	F	32	90	Brussels	F	3	37	Corfu	F	17	63	Glasgow	C	3	37	Lima	F	21	70
Barcelona	S	7	45	Budapest	C	7	45	Dallas	S	2	36	Helsinki	S	0	32	Lisbon	[illegible]	9	48
Beirut	-	-	-	Buenos Aires	F	28	82	Dublin	C	5	41	Hong Kong	S	24	75	London	C	9	46
Belfast	Dr	4	39	Cairo	S	26	79	Dubrovnik	S	16	61	Innsbruck	C	2	36	Los Angeles	S	13	55
Belgrade	F	9	48	Cape Town	S	23	73	Edinburgh	C	6	43	Inverness	C	8	46	Luxembourg	C	4	39

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	F	20	68	Milan	Fg	3	37	Nicosia	S	22	72	Salzburg	Dr	3	37	Tenerife	F	22	72
Madrid	F	9	48	Montreal	C	5	41	Oporto	S	11	52	San Francisco	S	5	41	Tokyo	R	12	54
Majorca	R	11	52	Moscow	C	1	34	Oslo	S	5	41	Seoul	F	15	59	Toronto	F	1	34
Malaga	S	14	57	Munich	C	2	36	Paris	S	5	41	Singapore	F	31	88	Tunis	F	17	63
Malta	R	17	63	Nairobi	S	24	75	Peking	C	7	45	Stockholm	S	1	34	Valencia	S	13	55
Manchester	C	-	-	Naples	C	12	54	Prague	C	3	37	Strasbourg	C	4	39	Venice	S	9	48
Manila	F	33	91	Nassau	F	28	82	Reykjavik	Dr	8	46	Sydney	S	31	88	Vienna	Dr	5	41
Melbourne	C	18	64	New Delhi	-	-	-	Rhodes	F	20	68	Taipei	R	20	68	Warsaw	C	3	37
Mexico City	F	25	77	New York	C	14	57	Rio de Janeiro	C	29	84	Tangier	F	13	55	Washington	C	11	52
Miami	S	24	75	Nice	C	12	54	Rome	R	11	52	Tel Aviv	S	25	77	Zurich	C	3	37

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Business as usual at the new ICL

Today ICL, the UK's leading computer manufacturer, becomes Japanese. But the takeover by Fujitsu, the world's second-largest computer maker, will mean for most part "business as usual", says Peter Bonfield, ICL chief executive and chairman (left). Yet ICL and Fujitsu are engaged in a momentous enterprise: the creation of a computer group which can compete in a rapidly changing and ever-more competitive market. Page 31

Hoping for capital ideas

A year of volatility in world stock and bond markets has made it difficult for leading financial institutions to meet capital adequacy standards. Since the Basel Committee published draft capital proposals in 1987, numerous financial instruments have been created – and later scrapped – by regulators and investors. As the deadline for the new capital requirements approaches, the pressure increases on banks to find acceptable solutions. Page 28

Bosch scuttles telephone deal

Robert Bosch, the German electrical and automotive parts group, has decided to pull out of its deal to buy a half share in the Canadian cellular telephone maker, NovAtel Telecommunications. Bosch has aborted the deal because of the unexpected losses, instead of the forecast profit, that NovAtel now expects to register in the final six months of the year. Page 24

Dawson suffers fall in profit

Dawson International, the Scottish textile group best known for its Pringle and Ballantyne luxury knitwear, is struggling against intense trading conditions in both the UK and US. Dawson yesterday announced a fall in pre-tax profits to £17.3m ($34m) from £23.5m for the first six months of the year. Page 31

Tough time for Australian banks

ANZ

Following the deregulation of the banking sector in 1984 and a borrowing spree by Australia's swashbuckling entrepreneurs, many of the country's banks now accept that much of their lending was "worthless". Leading banks such as ANZ have sustained sharp falls in profitability and attempts are being made to repair the damage. Page 23

Ebullient Johnson Matthey

Johnson Matthey, the precious metals refining and marketing group, has raised its interim dividend despite a 3 per cent fall in taxable profit. David Davies, chairman, said the group was "in good heart and going quite well" in the first half, but the outcome for the year would depend on precious metal prices, exchange rates and the impact of the recession on customers. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

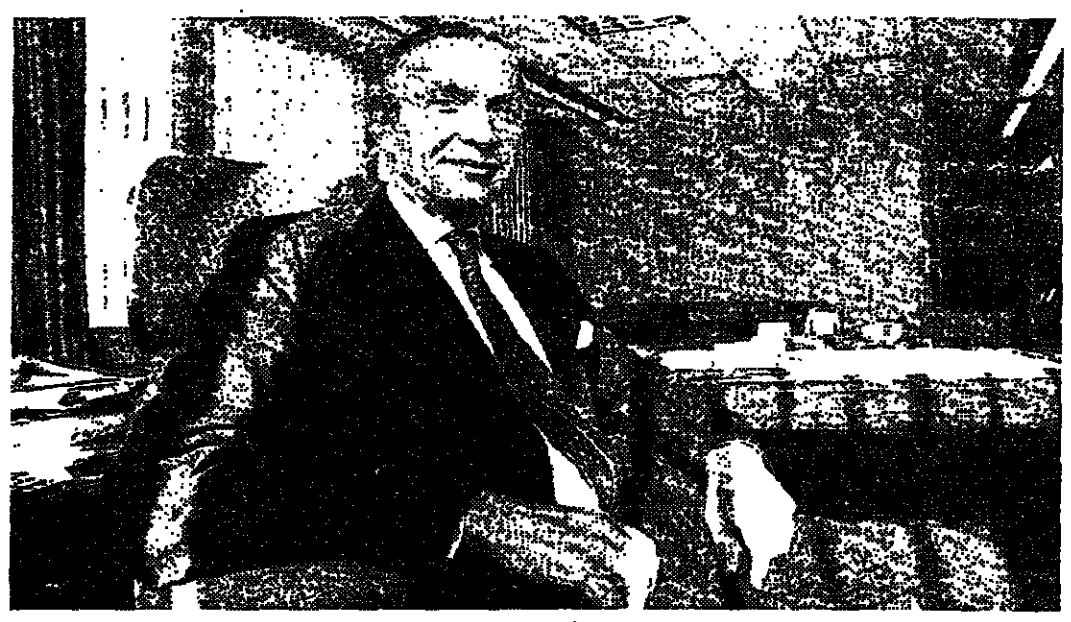
FRANKFURT (DM)				**Rises**			
Rises				Eurocom	669	+	14
Holzmann (P)	1268	+	17.5	Fromageries	1680	+	30
Industrie Werk	295	+	15	**Falls**			
Falls				Chargeurs	750	–	19
Beiersdorf	730	–	20	Gen Geophys	930	–	22
Col Versich	1250	–	20	Immeubles Fr	1135	–	35
Heidelberger	1105	–	35	La Henin	481	–	17
Springer Axel	700.5	–	19.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Honshu Paper	2090	+	140
Cleveland-Cliff	23⅝	+	2¼	Kurabo Inds	1120	+	40
Johnson & John	67¾	+	¾	Kyosan Elec	1610	+	60
Falls				Nippon Steel	385	+	13
Gen Motors	37½	–	¼	S'tomo Metal	399	+	11
McDonald's	27⅞	–	1¼	**Falls**			
McDonnell Doug	44⅛	–	2½	M'bishi Heavy	635	–	20
PepsiCo	24¾	–	¾				
PARIS (FFr)							

New York prices at 12.30.

LONDON (Pence)				Harvey Thomp	265	–	15
Rises				ICI	873	–	13½
Alpha Estates	16	+	3	Lloyds Bank	280	–	15
Eurotunnel New	70	+	17	Osborne Little	78	–	7
In Shops	76	+	6	RTZ	430	–	12
Leo	140	+	7	Rank Org	607	–	15
Sidlaw	126	+	7	Reuters	613	–	25
Falls				TIP Europe	49	–	22
AB Elect	87	–	31	Tiphook	363	–	28
Aspen Comms	113	–	15	Unitech	253	–	17
BAA	392	–	12	Williams Hldgs	221	–	13
Barclays Bank	364	–	18				
Brent Walker	77	–	15				

Barclays' buy-out puts a price tag of £771m on BZW, **Richard Waters** reports

Rich rewards from golden handcuffs



Sir Martin Jacomb, chairman of BZW. Pay-out for group is an echo from the days of Big Bang

Barclays de Zoete Wedd is the most valuable investment bank in London – official.

Its pre-tax profits last year may have been less than a third of those of Warburg, widely regarded as the most successful of the integrated financial houses created during the City of London's Big Bang. But Barclays' willingness to pay £111m to buy out BZW's minority shareholders puts a £771m ($1.5bn) price tag on the subsidiary which is head and shoulders above the £636m the stock market thinks Warburg is worth.

For a business with profits of £54m last year, but which now faces severe market conditions, the pricing of BZW's shares is sure to raise eyebrows among Barclays' own shareholders.

There are at least 300 people who are likely to agree with the price. These are the holders of 74m BZW founders' shares – the shares Barclays issued to the partners of the businesses it took over to form BZW five years ago. It is they who will share in the £111m.

The investment bank was built by chairman Sir Martin Jacomb out of stockbroker de Zoete & Bevan and jobber Wedd Durlacher Mordaunt, with the Australian firm Meares & Philips and the French business Puget-Mahe added later.

Barclays' pay-out, which will be activated if at least 90 per cent of the shareholders accept, is an echo of an all-but-forgotten era.

At the time of Big Bang, during one of the strongest bull markets ever seen, banks hardly blinked at paying huge amounts for the goodwill of stockbroking firms.

Much of that payment was deferred, converted into shares which could only be redeemed after a certain period had passed. These golden handcuffs served both to tie the former self-employed stockbrokers to their new masters, and to give them a stake in the future of their businesses.

At the outset, Barclays said that BZW would cost £125m to create. Only around £40m of this was paid in cash and loan stock, with the rest in founders' shares of £1 each. Those shares, according to accountants Ernst & Young, brought in to provide an independent valuation, are now worth £1.24 each.

Add a premium of 26p a share, to persuade the holders to accept Barclays' offer, and this explains the £111m the bank is now prepared to pay to take full control of its off-spring.

That is not the full amount paid out to BZW's forebears. Around £20m has already been handed over to founder shareholders who have left the bank. Many of these have departed since the golden handcuffs were unlocked at the start of this year, giving them the right to sell their shares to the parent company.

Barclays says it is paying for flexibility. With full control, it is better able to face up to its recently-announced restructuring, in which BZW will be merged with parts of the parent bank to form an enlarged investment banking group. The bank denies, though, that the pay-out is designed to prepare the ground for a wave of redundancies.

It will also overcome the problems that arise when the parent puts up capital to support occasional capital-intensive business at the subsidiary, for instance when BZW takes on large blocs of shares before selling them on to the market.

Pricing that capital is difficult when minority shareholders have an interest.

There is a third argument. Having founder shareholders creates a two-class bank, in which there will always be a divide between those who own shares and those who do not.

Scrapping this old incentive structure will benefit the bank, provided a new one is put in its place which satisfies all of BZW's valuable staff.

These arguments explain the 26p a share premium. And the underlying valuation of 124p a share? This is said to be based on comparison with comparable quoted companies, including Warburg. In effect, stripping out the premium, BZW is being put on an almost identical valuation to Warburg, despite its weaker earnings record and market position.

Shareholders seem likely to accept the offer. They may have an interest in 14.4 per cent of BZW's net assets, but they have only 8 per cent of the voting rights and none of the profits – they receive a flat return of 4 per cent a year.

The beneficiaries are 107 former de Zoete and Wedd partners who still work at BZW (85 have left), together with around 60 French and Australian partners. The rest of the 300 shareholders are either relatives of the former partners, or partners who have left but not sold their shares.

According to one of those still working at BZW, the offer of 150p a share has been on the table since early this year, when the prospects for the investment banking industry looked better than they do now.

At the start of the year, few wanted to sell and lose their right to participate in BZW's future growth.

Now, that feeling seems to have changed dramatically. "Investment banking in the short term doesn't have much of a future," one shareholder says. "There is just too much capacity in the system. Given the environment, most people will probably roll over and take the money – after all, it's not a bad time to go out and buy a diversified portfolio of shares."

The shareholders have Mr Simon de Zoete and Mr Jonathan Davie – their two negotiators – to thank for their good fortune, together with advisers Lazard. And they should not forget the generosity of Barclays, of course.

Thomson in talks on Pilkington subsidiary

By William Dawkins in Paris

THOMSON-CSF, the French state-controlled defence electronics group, is negotiating to buy Pilkington Optronics, the £80m ($160m) turnover optical detection subsidiary of the Pilkington glass group.

Talks opened six months ago between DAO, the optronics unit of Thomson-CSF, and the UK company, which has operations in north Wales and Glasgow, Scotland.

The pair are expected to finalise the deal by the end of the year, say French industry observers. Neither Thomson-CSF nor Pilkington would comment.

Thomson-CSF, in which the state-owned Thomson group holds 60 per cent, has responded to the slowdown in the European and US defence equipment market by launching cross-frontier takeovers and joint ventures.

Recent acquisitions include Link-Miles, the UK simulator group; half of Ferranti's UK sonar business; and Philips' European defence activities. Link-Miles, based in southern England, yesterday declared 325 redundancies in response to a downturn in orders.

Thomson's UK ambitions were hit earlier this year when the British government referred a planned missile-making joint venture between Thomson-CSF and British Aerospace to the Monopolies and Mergers Commission. The commission is expected to make its decision in January.

It is understood that Thomson-CSF has received no indication whether or not a takeover of Pilkington Optronics might be referred to the MMC.

Pilkington's optronics division is split between Pilkington PE in north Wales, which employs 700 people, and Barr & Stroud in Glasgow, which employs about 1,600.

The division makes a range of optical equipment for military use including night sights, displays, periscopes and gunnery sights.

Both companies have reduced their workforces in the last two years in response to declining defence spending.

A week ago, Thomson-CSF forecast that net profits would fall by almost 18 per cent in 1990, to FFr2.16bn ($432m) on sales up 6.8 per cent from last year's FFr33.69bn.

However, Thomson-CSF has FFr3.7bn of net cash and could borrow up to FFr20bn for acquisitions without straining its balance sheet.

Redundancies at Link-Miles, Page 10

BPB profits slump 40% to £45m

By Andrew Taylor in London

PRE-TAX profits of BPB Industries, Europe's biggest plasterboard manufacturer, fell by almost 40 per cent from £74.6m to £45m ($88.7m) during the six months to the end of September.

The company blamed the deep recession in the UK construction industry and a severe price war affecting a large part of western Europe.

BPB's share price rose 9p to 183p following the news. This was "in relief that the results had not been any worse," said one London broker.

The group is to pay an unchanged interim dividend of 4p. Mr Alan Turner, chairman, said the past 18 months had been the most turbulent in the group's 73-year history.

Fighting fiercely for market share are Europe's three largest plasterboard manufacturers: BPB, Knauf, a privately-owned West German company, and a joint venture between Lafarge Coppée, the French building materials group, and Redland of the UK.

Mr Turner said the biggest fall in profits had occurred in the UK. Until two years ago, BPB was the UK's only manufacturer, producing about 95 per cent of all plasterboard sold in Britain.

UK plasterboard prices on average had fallen by a fifth since then, said Mr Turner. French prices over the same period had fallen between 10 and 15 per cent. West German prices on average were down by about 20 per cent.

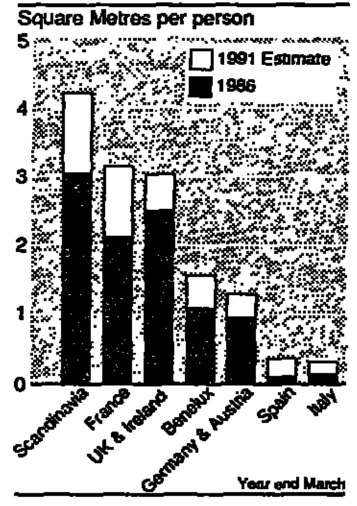
A report by the Monopolies and Mergers Commission in the UK estimated that the annual manufacturing capacity of 294m sq metres of the three producers substantially outstrips the industry's current annual sales of about 170m sq metres.

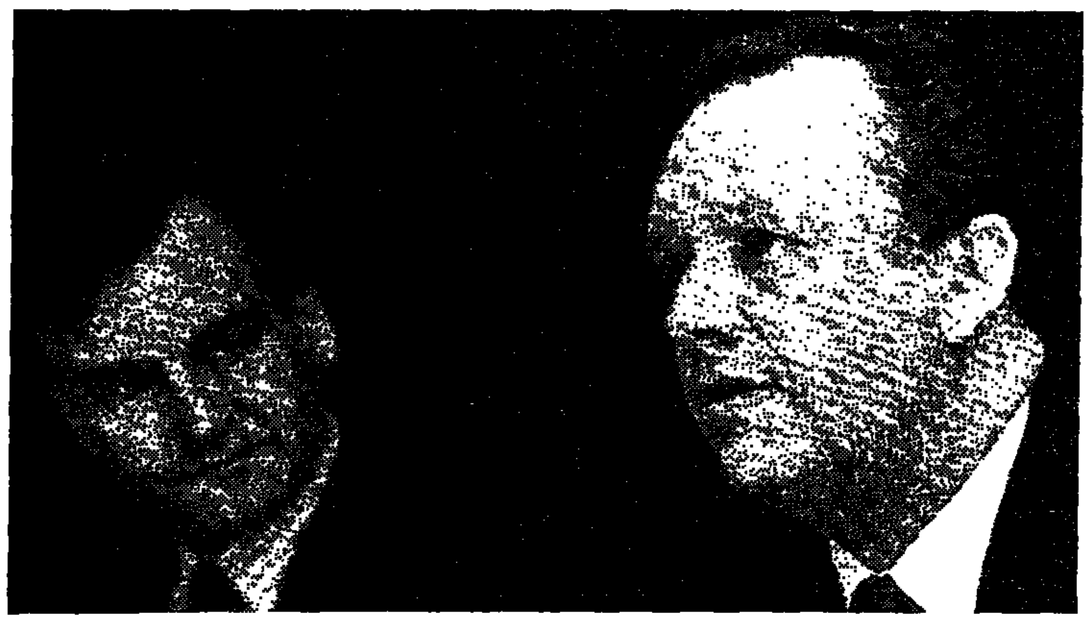
BPB's share of the UK market has fallen to about 65 per cent, following the opening of British plasterboard plants by Knauf and Redland. Mr Turner said the outlook in the UK remained difficult but he hoped the industry was at the bottom of the cycle.

The company's UK gypsum business had substantially reduced costs and had cut its labour force from about 3,500 to around 2,500 workers during the past two years.

Mr Turner said sales were rising in Germany and to a lesser extent in France. However, margins had been hit by severe price competition. As a result, profits were also down in continental Europe, which accounts for just over half of BPB's turnover.

Plasterboard
Square Metres per person





MR GLEN Renfrew is to retire as managing director and chief executive of Reuters Holdings, the financial information and news agency which has suffered a precipitous fall in its share price in recent months, writes Clare Pearson in London.

Mr Peter Job (right), managing director of Reuters' Asian operation, is to take over from Mr Renfrew, aged 62. Chairman Sir Christopher Hogg (left) said Mr Renfrew had told directors more than a year ago that he wished to retire. "The process has been planned. He is two years past pensionable age," Sir Christopher said.

Mr Job, 49, said he saw no need for significant changes of direction. "The main challenges will be to improve the quality of service to our customers and introduce new products in a timely fashion," he said.

Reuters last month announced it was delaying introduction of a foreign exchange trading system, Dealing 2000. Shares fell 25p to 613p after the announcement yesterday.

They have plunged from a high of 1,314p in July, hit by a combination of factors including concerns about Dealing 2000, worries about the economic downturn and the strong pound.

Nestlé and Coke in beverage deal

By Nikki Tait in New York

TWO of the world's largest food and drink companies, Coca-Cola of the US and Switzerland's Nestlé, are forming a joint venture to develop the international market for "ready-to-drink" tea and coffee.

The new company will have a market capitalisation of $100m, contributed equally by the two groups.

At present, "ready-to-drink" beverages only sell in significant amounts in Japan – the one market which is excluded from the Coca-Cola/Nestlé agreement.

Here, products normally come in canned form and retail – hot or cold – via vending machines. Various types are available, from regular black or white coffee to the more elaborate concoctions, such as cappucino.

Coca-Cola said yesterday that the Japanese ready-to-drink coffee market, which both companies supply, stands at about 500m cases a year and is valued at around $10bn. The tea market totals about 250m cases.

The US company said it was too early to indicate which markets might be targeted by the joint venture.

However, Mr Helmut Maucher, Nestlé's chief executive, suggested that ready-to-drink beverages could become "one of the most rapidly-growing segments of the world beverage market".

The joint venture will manufacture and market the product, but it will use the Nestea/Nescafe brand names and the Coca-Cola distribution network. There were no details as to where manufacturing might take place.

It will be run by a supervisory board – again with its two owners having an equal number of representatives. This board, in turn, will appoint a management team.

INTERNATIONAL COMPANIES AND FINANCE

MEPC announces 10.3% decline in net asset value

By **Vanessa Houlder** in London

MEPC, the UK's second largest property company, yesterday announced a 10.3 per cent fall in its net asset value to 790p over the year to September 30.

The fall, which resulted from over-supply and lack of investor interest, was in line with City estimates and the share price moved up 1p to 504p.

The company also announced a 17.5 per cent rise in pre-tax profits to £149.8m ($284.62) against £127.5m, reflecting the company's strong rental income.

Sir Christopher Benson, chairman, said he was delighted by the results.

"We have a fine portfolio of property, a fine development programme and very fine management," he said. However, he warned that profits would not continue to increase at recent rates as MEPC's short-term progress depended on the completion and letting of its development programme, which was closely linked to the UK economy.

The value of MEPC's UK portfolio, which fell overall by 12.6 per cent, broke down as follows: West End of London, down by 13.4 per cent; City of London, down 19.9 per cent; south and south-east (excluding London), down 10.3; the Midlands, down 8.4 per cent. The value of offices fell by 13.8 per cent, retail by 15.9 per cent, and industrial by 3.7 per cent.

Although the overall value of its investment properties fell from £3.14bn to £2.94bn, the value of its European investments, which are in Germany, Sweden, Austria and France, rose by 20 per cent.

Developments and properties held for resale, which are held in the balance sheet at cost, totalled £802.9m compared with £611.3m in 1989.

The overall return on shareholders funds was minus 7 per cent, compared with plus 24 per cent in 1989 and plus 40 per cent in 1988.

Earnings per share increased from 27.6p to 32.2p. A final dividend of 13.75p was declared, making a total for the year of 19p (17p).

Dresdner Bank rises 3.3% over 10 months

By **Andrew Fisher** in Frankfurt

DRESDNER Bank yesterday announced a 3.3 per cent rise in group partial operating profits in the first 10 months to DM1.57bn (US$1bn) and said it would need to make fairly large write-downs in its securities portfolios as a result of the downturn in financial markets.

The bank said, however, that it still expected satisfactory profits for the full year. The partial operating figure excludes trading on the bank's own account. Dresdner gave no figures for the full operating profit, but said this had fallen as a result of the fall in the stock market this year.

Dresdner's interest income grew by 8.5 per cent to DM3.8bn in the January-October period, while commission income was only 2.3 per cent higher at DM1.5bn, a reflection of the weaker trend on securities markets.

Operating costs moved up by 9.5 per cent to DM3.8bn, mainly as a result of the rapid expansion of the bank's network in east Germany, where it now has 107 branches with 50 more in the planning stage.

The 10-month results of Dresdner were noticeably weaker than those of Commerzbank, which last week announced a 15 per cent rise in group operating profit over the period and one of 18 per cent in partial operating profits to DM1.1bn. Commerzbank also foreshadowed a rise in its dividend from DM9 to DM10 a share.

Dresdner said that profits from trading on its own account had shown above average growth in the first half of 1990, but this level of improvement had not been maintained in the following months because of the slowdown in the stock market.

Mr Wolfgang Röller, the chief executive, said Dresdner Bank, which began operations in east Germany through a joint venture with the local Deutsche Kreditbank, now had 340,000 private customers in the five new eastern states and some 13,000 commercial customers.

Footwork to invest $300m in European transport plan

By **Andrew Fisher**

FOOTWORK International, the Japanese transport and leisure company which has just bought a big hotel property in west Berlin, plans to invest around $300m in building a European transport network to operate in the post-1992 internal market, Mr Wataru Ohashi, the chief executive, said.

Negotiations will start shortly with a medium-sized German transport company, which could cost some $50m to acquire. Mr Ohashi predicted a need for between 400 and 500 trucks to cover the northern EC countries, with the initial emphasis on Germany, France and the Benelux countries.

Footwork intends to proceed through acquisitions, said Mr Yoshihiko Nagata, the director responsible for developing activities in Europe. The company will also need warehouses and computer systems.

An important attraction for Footwork is the prospect of an EC transport sector in which present national restrictions and licensing systems will have been removed as part of the unified EC market. Footwork is also keen to participate in east Germany, where demand for transport services has risen sharply in the past year after the border was opened and western goods became available.

Mr Ohashi said Footwork, advised by Schroders Japan, would be able to raise finance for its European transport plans by using its Japanese properties as collateral. The company has more than 300 terminals, some no longer in use. In the year to March 31 1990, it achieved sales of Y18.4bn ($116m) and net income of Y705m.

He said Footwork was interested in buying a hotel in London and one in the south of France. Footwork said earlier this month it was taking a majority stake in the Hotel Steigenberger in Berlin and would obtain full ownership in two or three years, the total cost being Y10bn.

Ahold posts advance of 21% in third quarter

By **Ronald van de Krol** in Amsterdam

AHOLD, the Dutch food retailer, posted a 21.1 per cent rise in net profit in the third quarter in spite of a slight decline in turnover caused by converting the sales of its large US operations into guilders.

Net profit rose to Fl 56.7m (US$33.8m) from Fl 46.8m in the same quarter of 1989, while turnover was down 2 per cent at Fl 3.98bn.

The third-quarter profit gain, together with a 41.3 per cent rise posted in the first half, brings net profit for the first nine months of 1990 to Fl 183.0m, an increase of 34.4 per cent compared with a year earlier.

Net profit would have been Fl 5m higher in the third quarter if it had not been for the weaker dollar's negative effects on currency translations. Ahold's three big US supermarket chains – Bi-Lo, First National and Giant Food Stores – generate nearly half of the group's total turnover.

In dollar terms, US sales climbed by 9.3 per cent to $1.03bn, outstripping a 5.7 per cent increase in Dutch sales to Fl 2.15bn. The group's Albert Heijn supermarket chain is the market leader in the Netherlands.

As in the first two quarters, the third-quarter rise in net profit was due to a combination of higher operating profit and lower financing charges. Operating profit in the quarter rose 13.7 per cent to Fl 87.6m.

Ahold repeated its previous forecast that full-year net earnings would show a considerable rise compared with 1989.

● Banque Bruxelles Lambert, Belgium's second largest bank, said yesterday that it was no longer considering taking a majority stake in Staal, the Dutch bank.

Meanwhile, BBL's French subsidiary announced it was selling its branches in Paris, Lyon, Nice and Bordeaux to French Banque Générale du Commerce, an affiliate of Italian Cassa de Risparmio di Roma.

The two announcements follow disappointing 1990 results for BBL.

Philips confirms suspension of legal chief

By **Ronald van de Krol**

PHILIPS, the Dutch electronics group, has suspended its chief legal officer, Mr Hans Beekhuis, from his duties until further notice.

The company yesterday confirmed the suspension, which took effect on November 19, but declined to give further details, saying the suspension was now the subject of talks between lawyers for Mr Beekhuis and the company. Mr Beekhuis is also general secretary of the Philips group.

Eindhovens Dagblad, the local newspaper in Philips' home town of Eindhoven, quoted Mr Beekhuis's lawyer as saying that Philips had told Mr Beekhuis "that he was not the right man in the right job".

It also reported rumours that the conflict involved claims that Mr Beekhuis was allegedly refusing to co-operate in the drastic restructuring which Philips is currently carrying out.

Philips expects to make a net loss of Fl 4bn (US$2.4bn) this year after taking substantial charges for restructuring its computer and computer-chip businesses. It is also formulating plans to cut up to 45,000 jobs worldwide by the end of next year.

EIE Development earns HK$2bn in office sale

By **Angus Foster** in Hong Kong

EIE Development (International), the Hong Kong listed subsidiary of Mr Harunori Takahashi's Tokyo-based EIE, has sold more than half one tower of its prestigious twin-towered office block, the Bond Centre, originally bought from Mr Alan Bond, the Australian businessman.

EIE Development has raised HK$1.97bn (US$255.8m) from the sales. The company will use the proceeds to repay borrowings secured on the remainder of the building, which it intends to keep as an investment.

EIE Development's heavy borrowings, mainly incurred when it bought the building in two transactions in 1987 and last year, have prevented the company from diversifying into new areas.

Mr Nagy el-Azar, deputy chairman of EIE Development, said that the sales meant the company's gearing had been reduced to a "conservative" level.

He expected that bank borrowings would be further reduced later this year.

EIE Development sold 25 of the 40 storeys in the centre's East Tower for an average price per square foot of HK$6,185.

The company said the floors had been bought by unidentified Japanese investors.

EIE Development has also taken its stake in the remainder of the building back to 100 per cent after buying back a 25 per cent stake from its parent in Tokyo.

The stake originally changed hands as part of a refinancing package earlier this year.

Bond Corp row, Page 35

VIAG group net profit jumps 21%

VIAG, the diversified German industrial group, said its group net profit jumped 21 per cent to DM230m ($154m) in the first nine months of 1990 compared with a year ago, while group sales surged 79 per cent to DM14.45bn, Reuter reports.

The rise in profits stemmed almost exclusively from Viag's its new ceramics, glass and trade sectors.

The company said it expected 1990 group net profit to be clearly higher than 1989's DM265m.

Statoil issues equity ratio warning

By **Karen Fossli** in Oslo

STATOIL, the Norwegian state oil company, yesterday warned that it may be unable to achieve its goal of increasing its equity ratio by 10 per cent to between 35 per cent and 40 per cent.

The shortfall would occur if, during the next five years, Statoil's owner taps the maximum dividend payment allowed under Norwegian law.

A low equity ratio would have negative implications for the company's international expansion strategy which includes investing in a series of joint ventures in oil and gas production and in gas marketing with British Petroleum.

Last year, the state was paid a dividend of NKr800m, but under the law it could have sought up to NKr1.7bn. This year the state will be able to claim up to NKr2bn.

The company this week was given an A1-plus rating by Standard & Poor's, the US debt rating agency, which said Statoil's equity ratio was low compared with its main competitors.

During the 1980s, the company's equity ratio plunged to between 12 and 15 per cent due to the lack of a clear financial strategy and limitations on its commercial freedom imposed by the state. This was exacerbated in the latter part of the decade by low oil prices and a huge NKr6.4bn budget overshoot on a refinery expansion project. Statoil has been granted greater commercial freedom under the leadership of Mr Harald Norvik.

COMPANY NEWS IN BRIEF

NORDBANKEN and Gota Bank, two leading Swedish banks, said they would auction a 27 per cent stake in Esselte, a Swedish office equipment company, that had been held as collateral for loans to Mobilia, a financially troubled investment firm, agencies report.

The announcement was the latest in a spreading crisis among finance firms that threatens to bring steep losses to Sweden's largest lenders. The Esselte shares, worth about SKr748m ($134m) at Wednesday's closing prices on the Stockholm bourse, represent 27 per cent of Esselte's voting rights.

The banks had held the shares as collateral for loans to Mobilia, which held the largest stake in Esselte, Mr Tommy Cumzelius, Nordbanken senior vice-president, said.

■ Source Perrier, the French beverages group, appealed against a commercial court decision annulling its rights to PepsiCo France's bottling and distribution activities.

The court decision, madse on Tuesday, would allow PepsiCo France's parent company, the US beverage, snack food and restaurant company PepsiCo, to recover the bottling and distribution rights from Perrier as of January 1.

■ A French investigating magistrate has brought charges of insider trading and misappropriation of funds against Mr Thierry Tuffier, the former head of Tuffier et Associes, whose Paris brokerage arm went bankrupt in July.

Judicial sources said Mr Tuffier "and all those involved", were charged with share price manipulation, insider trading, publishing false accounts, offering fictional dividends and distributing false information.

Mr Tuffier confirmed charges had been brought.

■ Lufthansa, the German airline said the negative impact of currency rates reduced earnings in the first nine months of 1990 by DM280m ($154.3m).

Alan Bond accused of breach of loyalty

By Kevin Brown in Sydney

MR ALAN Bond, the Australian entrepreneur whose public flagship Bond Corporation Holdings is in the throes of being dismembered by creditors, was accused of a "despicable" breach of loyalty last night by the widow of the man he now blames for his company's collapse.

Mr Bond resigned as chairman of Bond Corporation in September after being forced out by European convertible bondholders following losses of A$2.5bn (US$1.92bn) for the year to July – an Australian record.

Bond Corporation's management, led by Mr Peter Lucas, the new chairman, is negotiating a scheme of arrangement with bondholders and other creditors which will cut Mr Bond's 58 per cent interest to less than 10 per cent.

However, in an interview in The Bulletin, an Australian news magazine, Mr Bond claimed the crash was not his fault and put most of the blame on Mr Peter Beckwith, his long-time managing director, who died in July of a brain tumour.

"I was not at the helm for much of the time," Mr Bond said. "Peter Beckwith drove the company. He drove it as if it were his own business.

"If I made any mistake at all, it was to give him too much responsibility, too much autonomy.

People think I made all those business judgment calls myself. I didn't. I was in overall charge – I don't deny that at all. But I did leave the running of the business to Peter Beckwith and, as it turned out, that was the critical factor in the downturn."

Mr Bond's revelation provoked a strong statement from Mrs Valerie Beckwith, issued through her solicitor.

"Peter worked himself to death for Bond Corporation, while Alan floated around the world," Mrs Beckwith said. "It is despicable that, after all the loyalty showed to Alan and the company over 20 years and after all he did to try to save Alan from his self-destruction, Alan should blame Peter for the downfall of the company."

Mr Bond, who is under investigation by the Australian regulatory authorities, said he is considering a small gold deal and a property deal, and claims to have no shortage of potential joint-venture partners. But he warned he might move to another country if people in Australia continued to make it difficult for him.

Braced for recession and austerity

Kevin Brown on a difficult year ahead for Australia's banking sector

AUSTRALIA'S banks are bracing themselves for a rough ride over the next 12 months as they struggle to cope with the fall-out from loose lending in the 1980s and an economy moving into recession.

The banking sector has been looking steadily more ragged as Westpac, National Australia Bank (NAB) and the government-owned Commonwealth Bank reported depressed profits and spiraling provisions for bad debts and non-performing loans. But it was a 43 per cent reduction in the net profits of Australia and New Zealand Banking Corporation (ANZ) which finally drove home the message that the pain is going to get a lot worse before it gets better.

Mr Milton Bridgland, ANZ chairman, pulled few punches as he told shareholders the bank had been hit by "probably the harshest economic environment for small and medium-sized businesses in Australia since World War Two".

In case anyone was in any doubt about the seriousness of the situation, ANZ cut its dividend by 6 cents to 44 cents a share, warning that the best it could hope for would be to sustain the lower level next year.

The market took the message, marking ANZ shares down 22 cents yesterday to A$3.47, its lowest level since February 1988. Westpac fell 16 cents to A$4 and NAB was down 16 cents at A$5.84.

Between them, the big four banks wrote off more than A$3bn (US$2.3bn) in bad debt charges for the year to September 30, more than double the charge in the previous year. They also revealed gross non-accrual loans totalling nearly A$7.8bn, which ballooned to A$11.7bn after including other problem loans and facilities.

The banks think they will get back much of this money. Westpac, for example, has provided only A$789m against total problem loans of A$5.4bn, made up of A$2.5bn in non-accrual loans plus debt of A$2.9bn on which interest is being paid but which is subject to doubts about full recovery.

However, the quality of the banks' loan books will be further tested by official confirmation by the Australian Bureau of Statistics yesterday that the economy is in recession, defined as two successive quarters of negative growth.

The most optimistic forecasts are for recovery in the second half of next year, which means the banks' customers will be fighting recession for almost all the financial year to next September.

The banks deny suggestions that their problems were caused by their eagerness to lend to Australia's 1980s generation of high-profile entrepreneurs, many of whom have since crashed with massive debts.

ANZ, whose problem clients include the debt burdened Fairfax newspaper empire, said only A$185m of bad debts of A$675m incurred in Australia relate to loans of more than A$10m.

However, Mr Will Bailey, chief executive, admitted that the bank had some foolish loans in the heat of increased competition following the deregulation of Australian banking in 1984.

"There was an element of an optimistic borrower meeting an optimistic lender," he said. "It was a number of people who had impeccable records in lending, who had been in the institution 35 years plus, who made some astronomical mistakes because of a rush of blood to the head."

Other bankers also concede privately that lending criteria slipped. "We all got caught up in it, just like bankers all over the world. Now it is becoming clear that much of the business was worthless," said one.

Ironically, the banks are now coming under fire for making money too hard to get. Mr Paul Keating, the federal treasurer, recently launched a parliamentary inquiry into the administration of lending margins, claiming the banks were trying to recover their losses by keeping rates higher than necessary.

The banks' problems are unfolding against the background of a loss of confidence in other parts of the financial sector, caused by the collapse of the Farrow group of building societies, minor runs on two small banks, and moves to lock up A$5bn in unlisted property trusts in response to falling property values.

In spite of their problems, the big banks have increased their share of the market from 66.5 per cent to around 75.5 per cent this year, largely through Commonwealth's acquisition of the State Bank of Victoria and ANZ's takeover of National Mutual Royal Bank and Town and Country Building Society.

Westpac controls around 10 per cent of each of three small banks – Advance, Bank of Melbourne and Challenge – and both the New South Wales State Bank and the Perth-based Rural and Industries Bank are likely to be for sale at some time.

But some analysts doubt the banks will have the stomach for further takeovers while struggling to turn round their existing businesses. "The broad picture is a very difficult year with more pain to come," said Mr Bryan Madden, Prudential Bache banking analyst. "Now is the time for the banks to do some housekeeping."

AUSTRALIA'S BIG FOUR BANKS 1989-90 RESULTS (A$m)

	ANZ	(% change)	NAB	(% change)	Westpac	(% change)	Commonwealth	(% change)
Net profit before abnormals	412	-43	801	-0.1	486	-39	494	+4
Net profit after abnormals	221	-37	767	-3	684	-15	529	-5
Bad debt charges	*793*	*+158*	*651*	*+100*	*1192*	*+106*	*462*	*+55*
Non-accrual loans (gross)	2862	+86	1518	*	2463	+166	941	+137

*Not disclosed in 1989

Elders becomes Fosters Brewing

By Kevin Brown

ELDERS IXL was yesterday transformed into Fosters Brewing Group, but not before shareholders had vented their anger over the group's problems on Mr John Elliott, the former chairman and chief executive.

Mr Elliott, who controls the largest block of shares in Elders through Harlin Holdings, his private company, became non-executive deputy chairman in May after being replaced as chairman by Mr Nobby Clark, formerly managing director of National Australia Bank.

Mr Peter Bartels, formerly head of Elders' brewing operations, had earlier replaced Mr Elliott as chief executive after the group's shares came under strong pressure in the market.

Mr Elliott, who transformed the company from a small jam-maker to one of the world's biggest brewers, said nothing at the group's annual meeting, but he was repeatedly criticised by shareholders angry at a record loss of A$1.3bn (US$794m) announced earlier this year.

Around 750 shareholders voted overwhelmingly to reject resolutions reappointing Mr Elliott to the board, approving the group's accounts and implementing the change of name. But the resolutions were approved after a formal poll. One group of shareholders tried to censure the directors, but was prevented by Mr Clark, who ruled that advance notice of the resolution should have been given to all shareholders. Mr Clark told shareholders: "Your reaction today clearly indicates you are fairly unhappy with us, and fairly dismayed that the company has lost A$1.3bn of shareholders' wealth. He said he agreed with the shareholders that the Elders restructuring had caused a lot of pain.

Mr Elliott leads three Harlin directors on the board. Two directors have also been appointed to represent Asahi Breweries of Japan, which said yesterday it had received approval from the Foreign Investment Review Board to complete the acquisition of 19.9 per cent of Elders.

Elders shares fell to A$1 on the Australian Stock Exchange earlier this year, but have recovered recently and now stand at A$1.43.

Hitachi lifts pre-tax profits to Y271bn

HITACHI, Japan's biggest comprehensive electric machinery manufacturer, increased its consolidated pre-tax profit by 7.2 per cent to Y271.44bn ($2.12bn) in the first half of fiscal 1990 from Y253.26bn, AP-DJ reports from Tokyo.

Net income rose to Y114.58bn in the six months to end-September, up 13.2 per cent from Y101.22bn. Per-share net was Y32.84, up from Y30.20. Consolidated sales rose 9.9 per cent to Y3,830bn from Y3,486bn.

Hitachi reported in October that unconsolidated profit at the parent company rose 4 per cent to Y110.323bn. Unconsolidated net income was 9 per cent higher at Y60.26bn and unconsolidated sales rose 6 per cent to Y1,877bn.

Toray Industries advances

TORAY INDUSTRIES, Japan's top maker of synthetic fibres, lifted first-half consolidated pre-tax profit 4.7 per cent to a record Y38.21bn ($298m) from Y36.48bn a year earlier, AP-DJ reports from Tokyo. Net profits and sales were also records.

Net earnings rose 1.5 per cent to Y20.01bn, or Y14.43 a share, from 19.72bn, or Y14.29. The company reported a Y2.08bn loss on the value of its stock holdings and a Y720m loss on its stock sales, which resulted in slower growth of net earnings compared with pre-tax profit.

Sales rose 8.6 per cent to Y455.1bn from Y419.07bn.

INTERNATIONAL COMPANIES AND FINANCE

Agreement near on News Corp debt talks

By Alan Friedman in New York

MR Rupert Murdoch's News Corporation is poised to complete an agreement with its bank creditors on a debt rescheduling formula that covers $6.5bn of bank borrowings and a further $1bn of debt securities.

The most immediate breathing space is the clause to defer the repayment by News Corp of $1.9bn of bank debt that would have fallen due next June. Mr Murdoch's bankers are also to provide a $600m bridge loan, repayable by December 1991.

The deal also calls for the reduction of News Corp's total debt by $1.5bn before the end of 1993, to be achieved by disposing of assets, raising equity or seeking long-term, non-bank borrowings.

Mr Murdoch said yesterday that "all the major banks appear to be very supportive". He added that the effect of the debt rescheduling, or "override" agreement, would be "to refinance all our bank debt and put it into one facility".

News Corp's total indebtedness is about $8.5bn, comprising $6.5bn of bank debt, $1bn of debt securities and a further $1bn of bank debt stemming from the takeover of HarperCollins, the UK publisher. Mr Murdoch said the HarperCollins debt was outside the current agreement.

The rescheduling calls for four six-monthly repayments of $375m bank debt beginning in June 1992. That would bring bank debt down to a little more than $5bn by December 1993.

Some $400m of repayments on News Corp's $1bn of debt securities will need to be made during the 1992-1993 period, meaning that total bank and securities debt would amount to $5.6bn by the end of 1993. This does not include the separate $1bn of HarperCollins bank debt.

The recent series of conversions into shares in Pearson of the UK, which owns the Financial Times, by holders of News Corp bonds and preferred shares reduced Mr Murdoch's shareholding in Pearson to 11 per cent or less.

Citibank and Midland are the bank co-ordinators of the talks. Other bank creditors are Commonwealth Banking of Australia, Lloyds Bank, Security Pacific and Westpac.

Bosch pulls out of C$110m deal to buy half of NovAtel

By Bernard Simon in Toronto

THE GERMAN electrical and automotive parts group Robert Bosch has pulled out of a proposed C$110m (US$95m) deal to buy 50 per cent of Canada's only cellular telephone maker, NovAtel Telecommunications of Calgary.

The proposed acquisition, announced last July, was thrown into doubt in September when NovAtel's parent, the Alberta telephone company Telus Corp, announced that, instead of earning a sizeable profit in the final six months of 1990, NovAtel would suffer a loss.

Disclosing the termination of the Bosch deal, Telus also announced the dismissal of NovAtel's chairman and chief executive, president and chief operating officer and vice-president and group controller.

The sudden reversal at NovAtel, due largely to weak sales to US retail customers and delays in testing and delivering products, has been an embarrassment for the Alberta government.

NovAtel's revised forecasts came to light as the government was in the throes of a partial privatisation of Telus (formerly known as the Alberta Government Telephones Commission). Under the initial projection, NovAtel would have contributed almost one-fifth of Telus's total earnings.

The Alberta authorities have promised to inject C$21m into NovAtel to make good the profit forecasts contained in the original prospectus for Telus's C$951m share offering, which was the biggest public share issue in Canada.

Besides making up the shortfall in NovAtel's earnings, the government has also agreed to give Telus the option of returning its stake in NovAtel to government ownership before the end of 1991.

With sales last year of close to C$300m, NovAtel claimed to be the world's second biggest supplier of cellular phones, with a 21 per cent share of the US market and 9 per cent of the UK market. The company employs about 1,200 people.

Hard times tell at US retailer

By Nikki Tait in New York

NEIMAN MARCUS, a retailer 60 per cent-owned by General Cinema, yesterday reported a 13.6 per cent fall in third-quarter after-tax profits, further indicating the tough times being faced by general merchandise retailers in the US.

The company, which takes in the Bergdorf Goodman operation in New York, Contempo Casuals fashion stores and the Neiman Marcus stores, made $10.3m in the period, compared with $11.9m in the corresponding period a year earlier.

Revenues increased by 6.8 per cent to $426.1m, while at the operating level, profits showed a more modest 4 per cent drop to $30.7m.

Yesterday, Mr Richard Smith, Neiman's chief executive, said the results had been hit by "the economic softness". The almost static revenue picture, he added, was "well below our expectations".

The Neiman Marcus stores showed a slight improvement in operating profits, while Contempo Casuals recorded a "significant rise" at the operating level and gross margins improved.

By contrast, Bergdorf Goodman showed a sharp profit decline, and the company reported increased discounting on stock.

Interest charges rose to $9.1m from $8.2m.

General Cinema recently proposed buying out minority shareholders for $14.40 a share, but withdrew its offer following protests from investors that the figure was too low.

Goldome interests sold to Manny Hanny for $16.5m

By Alan Friedman

MANUFACTURERS Hanover Trust, the large New York-based commercial bank, is to spend $16.5m to acquire $1.6bn of deposits and 13 branches of Goldome, a troubled New York and Florida retail banking company.

The purchase price is low and compares favourably with a similar transaction in 1989, when Manny Hanny paid $65m for 11 other Goldome branches with $1.2bn of deposits.

Goldome, which is facing a capital shortfall and has gone through a radical restructuring during the past year, said the price had come down so much in a year because of "the glut of deposits on the market".

Manufacturers Hanover said the acquisition would increase its retail deposits to $18.6bn and its branch network in New York State to 229 branches.

Manny Hanny said the acquisition was both a strategic fit for its regional retail banking operations and a way of broadening its funding base of core consumer deposits. It added that the new deposits would be used to replace more costly wholesale borrowings.

Ten of the 13 branches being acquired will be converted into Manny Hanny offices and the other three will be closed.

Manny Hanny, the eighth biggest US bank, reported a lower-than-expected $77m net profit for the third quarter of 1990, saying its results reflected "an extremely difficult operating climate".

Magna seeks repayment delay

MAGNA INTERNATIONAL, Canada's largest car parts manufacturer, is seeking more time to repay C$75m of debentures, writes Robert Gibbens.

Holders of the 10.37 per cent Series I debentures are being asked to accept a maturity date of March 31 1991, an extension of three months, in return for an increase in coupon rate.

Though holders are expected to accept, analysts say it is a sign that Magna is falling behind in its efforts to restructure its C$1.2bn (US$1bn) debt.

Magna had hoped to complete C$350m of asset sales by the end of the year, but the amount realised has been less than expected.

Magna insists that the repayment extension is needed to allow restructuring negotiations to be completed with its lenders.

Cut in loan write-offs lifts National Bank of Canada

By Robert Gibbens in Montreal

NATIONAL Bank of Canada, the country's sixth largest chartered bank, yesterday reported a sharp increase in net profit to C$170.3m (US$147m), or C$1.12 a share, for the year ended October 31, from C$31.7m, or 6 cents, a year earlier.

Loan loss provisions for fiscal 1990 were C$249.5m, including most of a writedown of a C$156m loan to business executive Mr Robert Campeau.

In fiscal 1989, loan loss provisions were C$441.8m, mainly to cover writedowns in the bank's Third World debt. National Bank's exposure to Third World debt is now about 70 per cent provisioned.

Fourth-quarter profit improved to C$17.2m, or 7 cents a share, after loan loss provisions of C$93.3m. A year earlier the bank posted a loss of C$176.9m, or C$1.57, following loan loss provisions of C$322m.

The per-share earnings figures are after preferred dividends.

AT&T to shed 3,000 jobs

By Karen Zagor in New York

AMERICAN Telephone and Telegraph (AT&T), the biggest US telecommunications group, is going ahead with plans to make its long-distance network more competitive by cutting another 3,000 jobs next year from the 28,000 on its Network Services payroll, and by closing 13 network centres in the US.

The move is part of AT&T's previously-announced plan to modernise its long-distance network, upgrading the service to an all-digital system.

The company took a $6.72bn writedown in December 1988 to cover the costs of modernising the network and the anticipated job losses.

Then, AT&T said it would trim 10,000 jobs from Network Services and eliminate 6,000 operating jobs.

Network Services has already shed 7,000 positions this year.

Arco to buy Oryx oil assets

ATLANTIC RICHFIELD (Arco), the Los Angeles-based oil and gas company, is to pay $642m for part of the Midway-Sunset onshore oil interests in southern California, writes Alan Friedman. The properties have net daily production of 23,000 barrels and are owned by Oryx Energy, a Dallas-based independent oil company.

INTERNATIONAL CAPITAL MARKETS

Jardine asks Hong Kong for special status

By Angus Foster in Hong Kong

JARDINE Matheson is to lobby Hong Kong securities regulators to grant it a special status which would allow the company to remain listed in Hong Kong but no longer be subject to the colony's securities rules.

The proposal, which Jardine describes as an "exempt listing", would effectively mean the company's primary listing would be transferred from Hong Kong, where the bulk of the shares are traded, to London.

Earlier this year, Jardine Matheson and subsidiaries, including Hongkong Land and Dairy Farm, were granted secondary listings in London. Those moves were seen by some as further evidence of Jardine trying to distance itself from Hong Kong ahead of the colony's return to Chinese sovereignty in 1997.

Mr Greg Terry, legal adviser to Jardine, said the proposal was prompted by *fears of* abuse of securities regulations in the event of a "worst case scenario" after 1997. "We believe investors will be more comfortable if our primary listing is in London," he said.

But the proposal was cautiously dismissed by Hong Kong's Securities and Futures Commission. Mr Ermanno Pascutto, executive director, said it would lead to "major regulatory gaps".

"We reject the notion that international assets are really at risk from anything in the securities legislation," he said, adding that the ultimate sanctions at the SFC's disposal are delisting in Hong Kong and public censure.

The proposal is the latest in a succession of arguments between Jardine and the SFC over the levels of regulation in Hong Kong and to what extent those regulations should be applied to companies which are domiciled and have assets *outside the colony.*

Jardine was the first Hong Kong company to shift its legal domicile from Hong Kong when it moved to Bermuda in 1984, prompting a slight loss of confidence in Hong Kong and, later, more than 60 other holding companies to *follow*.

Although the number of Hong Kong companies which would be suited to an exempt listing is very small, probably no more than 10, they would be among the colony's largest and regulators will be keen that Jardine's latest proposals do not start a similar rush.

One possible pitfall to the proposal is that Jardine, as a Bermuda domiciled company, would probably not be covered by the UK takeover code.

Mr Terry said Jardine has discussed with the London Stock Exchange the possibility of voluntarily going under the code. But that is thought unworkable since a volunteer member of the code would have a different status to its victim or aggressor in a hostile bid.

Goldman Sachs uses oil options to offer war insurance

By Tracy Corrigan

GOLDMAN Sachs, the US investment bank, is offering institutional investors "war insurance" in the form of oil-indexed call warrants.

The warrants are designed to allow fund managers to allocate investments on a fundamental or technical basis, while taking a direct hedge against a rise in oil prices.

Goldman takes the view that, setting aside the Gulf crisis, the fundamentals for oil are bearish.

But if war breaks out, the oil price is likely to jump to $40 to $60 per barrel, Goldman reckons.

Meanwhile, although the outlook for European bonds is fundamentally bullish, both bonds and equities stand to suffer if war breaks out.

The warrants are intended to allow fund managers to *hold long positions* in bonds and equities while hedging exposure to a spike in oil prices.

A warrant holder will only lose out if oil continues to trade in a range of $25 to $30, which can only happen if the *current situation* persists for longer than the one-year life of the warrants, according to a Goldman official.

Each warrant gives the holder the right to buy one barrel of WTI crude oil at a strike price of $30 a barrel.

The warrants are exercisable from December 19 1990 to December 2 1991.

Goldman Sachs Currency Corporation is the issuer of the 1m warrants, each priced at $6.50.

Yen weakness casts cloud over Japanese long bonds

By Deborah Hargreaves in London and Karen Zagor in New York

PRICES in the Japanese government bond market fell sharply in late London trading yesterday as the yen weakened against the dollar, tumbling to a level of Y133 from Y129.

Since it has been the strength of the currency which has propped up prices for Japanese bonds, the weakening of the yen is likely to put a lot of pressure on the market in the next few days. The yen's weakness reflects the way the dollar has been buoyed by the expectation of a resolution by the United Nations in support of military action in the Gulf.

The yield on the key 119 bond rose by 10 basis points after the close of the Tokyo market to 7.57 per cent after the bonds traded in a narrow range in Tokyo and closed at 7.47 per cent. The Bank of Japan injected a good dose of liquidity into the market in earlier Tokyo trading, but the rates for overnight money remained high. Call money rates are still at 8¼ per cent.

■US Treasury bonds staged a modest rally yesterday morning after starting the day on a weak note amid selling linked to bank financing pressures at year-end and concern that the Federal Reserve might not ease monetary policy as soon as the market had hoped. At mid-session the Treasury bellwether 30-year bond was $\frac{1}{16}$ higher at $103\frac{11}{32}$, yielding 8.42, while the two-year note was down $\frac{1}{32}$ for a yield of 7.56 per cent.

The short-end of the yield curve was hurt by pressure from banks to arrange financing before the end of the year, which sent short-term money rates higher and pushed up short-term note yields.

The Federal Reserve entered the open market to arrange four-day system repurchase agreements when Fed funds were trading at $7\frac{5}{16}$ per cent, slightly above the Fed's perceived target of 7¼ per cent.

There was no policy meaning attached to the move, which adds reserves to the banking system.

Bond prices received some support from soft US personal income figures, which rose 0.1 per cent in October, while September's income, which rose 0.5 per cent, was not revised.

Although the data was in line with expectations, it gave further evidence of a very weak US economy and helped counter Wednesday's initial unemployment claims report, which was surprisingly strong.

■GILT-EDGED securities staged a strong rally in late trading as prices rose by almost a point mainly on indications that the UK recession is becoming deeper. The release of money supply data yesterday showed that the amount of notes and coins in circulation is becoming tighter, which is a sign of recession.

A long benchmark gilt maturing in 2003/07 rose to $105\frac{11}{16}$ to offer a yield of 10.8 per cent, but most of the activity was futures-based.

■THE GERMAN market drifted down as traders remained nervous about the Gulf and the prospect of a new issue of bunds next Tuesday. Traders are expecting an issue of DM8bn to DM9bn with a coupon of 8¾ to 9 per cent. Many believe the government will opt for the lower coupon and a smaller issue rather than a 9 per cent coupon which would imply an issue price, including fees, of 102.

Rates for short-term money continue to be high, with overnight money at 8.4 per cent. This has put pressure on prices *at the short end of the market.*

The government has been able to supply itself with quite good funds at the short end, which is another reason that Tuesday's auction may not be as large as previous sales. Bund prices traded in a narrow range in a thin market, with the government latest 10-year bund fixed slightly lower at 100.87 to offer a yield of 8.9 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-22	+06/32	11.16	11.19	11.56
		9.000	03/00	89-27	+22/32	10.75	10.93	11.34
		9.000	10/08	88-15	+37/32	10.43	10.63	10.91
US TREASURY *		8.500	11/00	101-11	-01/32	8.30	8.27	8.71
		8.750	08/20	103-08	-03/32	8.45	8.42	8.85
JAPAN	No 119	4.800	6/99	85.8333	-0.379	7.52	7.47	7.76
	No 129	6.400	03/00	95.4879	-0.266	7.21	7.20	7.48
GERMANY		9.000	10/00	100.9200	-0.030	8.85	8.76	8.99
FRANCE	BTAN	9.000	11/95	95.7187	-0.036	10.13	10.15	10.21
	OAT	8.500	03/00	90.6200	+0.050	10.06	10.06	10.33
CANADA *		10.500	03/01	99.4500	-0.200	10.58	10.45	11.16
NETHERLANDS		9.250	11/00	100.9500	-0.030	9.10	9.05	9.18
AUSTRALIA		13.000	07/00	104.9425	+0.404	12.11	12.16	13.37
BELGIUM		10.000	08/00	99.9000	-0.050	9.76	9.72	9.88

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Futures exchange for Minneapolis

By Barbara Durr in Chicago

A NEW US futures exchange is in the making in Minneapolis, Minnesota. What is being called the Twin Cities Board of Trade (TCBT) expects to shortly win approval for operation from the Commodity Futures Trading Commission.

The exchange plans to trade cross currency futures contracts, starting with a sterling/D-Mark cross-rate.

Following this contract, Mr Sean O'Toole, the president of the new exchange, said applications for crosses of Swiss franc/D-Mark and yen/D-Mark will be submitted to the CFTC for approval. At the moment, TCBT is aiming to launch by next March. The TCBT and the Chicago Board of Trade Clearing Corporation have reached an agreement under which the CBOTCC will provide trade entry, trade comparison and other clearing services.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on November 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	100¼	100⅝	−⅛	8.77
ALBERTA PROVINCE 9 3/8 95	600	102⅝	102⅞		8.69
AUSTRIA 8 1/2 00	400	96½	96⅞		9.07
BANK OF TOKYO 8 3/8 96	100	96¾	97¼	+⅛	9.15
BELGIUM 9 1/8 92	400	101¼	101⅝		8.31
BFCE 7 3/4 97	150	94⅞	95¼		8.84
BNP 8 5/8 94	300	100¼	100⅝		8.52
BP CAPITAL 9 5/8 93	150	101¾	102¼		8.67
CANADA 9 96	1000	102¼	102⅝		8.46
CARCO 9 1/4 96	650	97⅝	98¼	−½	9.82
CCCE 9 1/4 95	300	102⅝	102¾		8.54
COUNCIL EUROPE 8 96	100	97⅛	97½	+⅛	8.64
CREDIT FONCIER 9 1/2 99	300	102⅝	102¾	−⅛	9.07
DENMARK 0 98	250	50¾	51¼	−⅛	9.23
DENMARK 8 1/4 94	150	99	99⅜		8.55
ECSC 8 1/4 96	193	97⅝	98		8.77
EEC 7 1/4 93	250	98	98⅜		8.23
EIB 7 3/4 96	250	96	96⅜		8.66
EIB 10 97	250	105⅛	105⅝		8.84
ELEC DE FRANCE 9 98	200	100⅞	101¼	+⅛	8.82
EUROFIMA 9 1/4 96	100	100½	101¼	−¼	9.11
EXPORT DEV CORP 9 1/2 98	150	102¾	103⅛	+⅛	8.97
FINLAND 7 7/8 97	200	94⅛	94⅝	−⅛	9.15
FINNISH EXPORT 9 3/8 95	200	102¼	102¾	−¼	8.78
FORD MOTOR CREDIT 9 1/2 95	300	100⅞	101⅜		9.13
GEN ELEC CAPITAL 9 3/8 96	300	101⅜	101⅞	−⅛	9.02
GMAC 9 1/8 96	200	97⅝	98⅛	−⅛	9.70
HALIFAX 9 1/2 93	200	101⅛	101½	−⅛	8.83
IBM WORLD TRADE 7 5/8 93	150	96½	97¼	−½	9.02
IND BK JAPAN FIN 7 7/8 97	200	94⅛	94⅝	+⅛	9.11
INTER AMER DEV 7 5/8 96	200	94⅝	95	+⅛	8.84
ITALY 8 1/2 94	1500	100	100¼		8.49
JAPAN DEV BK 8 94	150	98½	98⅞		8.49
KANSAI ELEC PWR 10 96	350	103¼	103¾	−⅛	9.18
LTCB 8 5/8 93	150	99⅝	100⅛		8.78
NEW ZEALAND 8 93	100	98½	99¼	−⅛	8.64
NIPPON CRED BK 9 3/4 93	150	102⅛	102⅝	−⅛	8.86
NIPPON TEL & TEL 9 3/8 95	200	102¼	102½		8.73
NORDIC INV BANK 9 93	200	101¼	101⅝	−⅛	8.41
ONTARIO HYDRO 11 5/8 94	200	107⅞	108½	−⅛	8.80
OSTER KONTROLLBANK 8 1/8 93	200	99⅝	100⅛		8.28
PETRO-CANADA 7 1/4 96	200	93¼	93¾		8.84
PRUDENTIAL RLTY SECS 0 99	365.216	45¾	46¼	−⅛	10.10
QUEBEC HYDRO 9 3/4 98	150	102¼	102¾		9.32
QUEBEC PROV 9 98	200	98¾	99⅛	+⅛	9.22
SAINSBURY 9 1/8 96	150	100⅝	101	+⅛	9.00
SAS 10 99	200	100⅞	101⅜	+⅛	9.82
SBAB 9 1/2 95	500	102⅝	102¾		8.81
STATE BK STH AUST 9 1/4 93	100	101¼	101¾	+⅛	8.63
SUMITOMO BK CAP MKT 9 3/8 93	150	101½	102		8.78
SWEDEN 8 1/8 94	150	98¾	99¼	+⅛	8.51
SWEDISH EXPORT 9 5/8 93	100	102⅝	102⅞	−⅛	8.38
TOKYO METROPOLIS 8 1/4 96	200	97⅜	97¾		8.83
WORLD BANK 8 3/8 99	1500	97½	97⅞		8.98
WORLD BANK 8 3/4 97	1500	100½	100⅞	−⅛	8.83
XEROX CORPN 8 3/8 96	100	92¾	93¼	+½	10.04
DEUTSCHE MARK STRAIGHTS					
ASIAN DEV BANK 8 94	200	97	97	−⅛	8.95
AUSTRIA 6 98	400	83½	83¾	−⅛	9.18
CNT 6 1/8 98	200	83¼	83½		9.20
CREDIT FONCIER 6 3/4 99	500	85⅞	86¼		9.24
DEUTSCHE BK FIN 5 5/8 96	750	85¼	85¾	−⅛	9.01
EEC 5 3/8 93	300	93⅛	93⅝		8.83
EIB 6 1/8 96	300	87¼	87½	+⅛	9.12
EIB 6 7/8 95	900	92¼	92¾		8.87
EUROFIMA 6 1/4 98	400	84⅛	84⅝		9.22
FELDMUEHLE FINANCE 8 99	200	91¼	91¾		9.47
FERRO DEL STAT 5 3/8 93	500	93½	93½		8.85
IND BK JAPAN FIN 5 5/8 96	200	84⅞	84⅞	+⅛	9.43
INTER AMER DEV 7 1/4 99	300	89⅛	89⅝		9.10
LUFTHANSA INT FIN 5 7/8 98	500	83	83	+½	9.12
QUEBEC HYDRO 6 3/4 99	300	85¼	85⅞	−⅛	9.36
SWEDEN 6 1/8 98	300	85⅛	85⅝		8.98
WORLD BANK 0 15	2000	14⅞	14⅞	+⅛	7.90
WORLD BANK 5 3/4 96	300	85¾	86¼	−⅛	9.23
WORLD BANK 7 1/8 95	500	93⅛	93⅝	−¼	9.11
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	81¼	82		7.84
AUSTRIA 4 5/8 98	100	86½	87½		7.08
CHUJITSUYA 7 3/4 95	50	100½	101½		7.61
COUNCIL EUROPE 4 3/4 98	250	84	84½	−¼	7.72
EEC 5 1/2 00	100	86	87		7.55
EIB 5 3/4 93	100	97½	98	+¼	6.72
FINLAND 5 3/8 95	150	94	95	+½	6.85
GENERAL MOTORS 7 1/2 95	100	101	102	−½	7.22
JAPAN DEV BK 5 1/2 94	100	94½	95		7.49
MOUNT ISA FINANCE 5 3/4 94	100	85½	87	−½	11.01
NEW ZEALAND 4 7/8 99	200	82¼	83¼		7.80
QUEBEC HYDRO 5 08	100	75	76		7.65
SKANDINAVISKA ENSK 6 1/2 95	100	96½	97½		7.51
WORLD BANK 5 03	150	79½	80½		7.56
WORLD BANK 7 1/4 92	100	100	100½		7.21
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	93½	93¾		7.28
CANADA 4 3/8 92	80000	95⅝	95⅞		7.40
CREDIT FONCIER 5 1/4 94	20000	92⅝	92⅞		7.49
DENMARK 7 95	40000	99	99¼	−⅛	7.28
EIB 4 5/8 94	40000	92⅛	92⅝		7.28
GENERAL ELECTRIC 5 3/4 93	35000	95⅞	96¼	+⅛	7.72
INTER AMER DEV 7 1/4 00	30000	99⅞	100¼	−⅛	7.26
ITALY 5 3/4 92	150000	98¼	98⅝		7.38
KANSAI ELEC PWR 4 5/8 94	60000	92⅛	92⅝	+⅛	7.25
NIPPON TEL & TEL 5 7/8 96	50000	93⅜	93¾		7.28
NORWAY 5 1/8 95	50000	92⅛	92⅝		7.29
SWEDEN 5 3/8 95	20000	92⅞	93¼		7.43
WORLD BANK 6 3/4 00	50000	96¾	97	−¼	7.23

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
KREDIETCORP 7 93 LFr	1000	93¾	94¼	+⅛	9.95
WORLD BANK 8 96 LFr	1000	92¾	93¼	+½	9.77
ALBERTA PROVINCE 10 92 C$	500	97⅞	98⅛		11.41
BCE INC 9 5/8 93 C$	300	95¾	96¼	−⅛	11.68
BELL CANADA 10 5/8 99 C$	150	94⅛	94⅝	−⅛	11.72
BRITISH COLUMBIA 9 1/4 93 C$	150	95¾	96¼		11.44
EIB 10 1/8 98 C$	130	94⅞	95⅜		11.22
FORD CREDIT CANADA 10 94 C$	100	94⅛	94⅝	−⅛	12.02
GENERAL ELECT CAP 10 1/4 93 C$	175	97⅞	98⅜	+⅛	11.13
MONTREAL TRUSTCO 8 1/2 92 C$	100	92½	93¼	−1½	14.54
ONTARIO HYDRO 10 7/8 99 C$	500	96⅜	96⅝	−⅛	11.55
QUEBEC PROV 10 1/2 98 C$	200	94⅜	94⅞	−⅛	11.62
ROYAL TRUSTCO 10 1/4 93 C$	100	96	96½	−⅛	12.13
SWEDEN 9 3/4 93 C$	250	97⅛	97⅝		11.10
AUSTRIA 7 3/8 93 Ecu	125	93	95	−⅛	10.88
CNT 7 3/8 93 Ecu	250	91⅞	93⅛	−⅛	11.12
CREDIT LYONNAIS 9 96 Ecu	125	91⅝	93¼	−1	11.10
DENMARK 7 5/8 96 Ecu	250	88⅝	89⅛	+⅛	10.43
EEC 7 5/8 94 Ecu	200	93¼	93¾	+⅛	10.15
EIB 10 97 Ecu	1125	99⅞	100	+⅛	10.01
ITALY 10 3/4 00 Ecu	1000	102⅞	103	+⅛	10.24
SWEDEN 7 1/2 93 Ecu	250	90½	92½	−1⅛	11.46
BMW FINANCE 14 1/2 92 A$	100	101½	102¼		13.08
COUNCIL EUROPE 13 93 A$	50	102⅜	102⅞	+1¼	11.67
EKSPORTFINANS 12 3/8 95 A$	75	100½	101		12.17
FORD CRED AUST 13 93 A$	50	99⅝	100⅛		13.11
ICI 15 1/2 92 A$	100	102½	103	+⅛	13.37
MCDONALDS CANADA 15 95 A$	100	106⅛	105¾	+⅛	13.29
NAT AUSTRALIA BANK 14 3/4 94 A$	150	104¼	104⅝	+⅛	13.04
STATE BK NSW 14 1/4 99 A$	100	106¾	107¼		12.90
VOLKSWAGEN INTL 15 94 A$	100	104⅛	105⅛		13.14
ABBEY NATL TREAS 13 3/8 95 £	100	103½	104		12.22
BARCLAYS JERSEY 9 1/2 93 £	250	94⅝	95	+⅛	12.20
BRITISH GAS 12 3/4 95 £	150	103¾	104⅛	+⅛	11.54
DEUTSCHE BK FIN 11 94 £	225	98	98⅜		11.77
EIB 10 97 £	300	93½	93⅞	+⅛	11.51
FORD CREDIT FUNDING 9 5/8 93 £	50	93¼	93¾	−⅛	13.04
INTER AMER DEV 11 3/8 95 £	75	99⅜	99⅞	+⅛	11.51
ITALY 10 1/2 14 £	400	85⅜	85⅞	−2⅝	12.42
LAND SECS 9 1/2 07 £	200	76	77	−⅛	13.10
LEEDS PERMANENT 9 1/4 93 £	50	93¼	93⅞	−⅛	12.43
NORWAY 10 1/2 94 £	200	96⅝	97		11.79
ROLLS-ROYCE 9 5/8 93 £	150	93⅜	93⅞	−⅛	12.72
SAINSBURY 10 7/8 93 £	100	97⅜	97⅝		12.48
SKANDINAVISKA ENSK 13 1/8 95 £	100	103⅜	103⅞	+⅜	12.02
WORLD BANK 11 1/4 95 £	100	99⅝	100	+½	11.32
ABBEY NATIONAL 0 96 NZ$	100	46½	47		13.99
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	99¼	100¼		13.41
AIDC 7 7/8 93 FFr	600	93¾	94⅛	−⅛	10.51
CREDIT LYONNAIS 10 95 FFr	2000	98	98½		10.54
EURATOM 7 5/8 98 FFr	500	85¾	86¼		10.42

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.92	100.02	8.4063
BANCO ROMA 0.03 01	200	92.00	93.00	8.4675
BANCO SANTO SPIRITO 93	200	99.52	99.62	8.4375
BELGIUM 1/16 97 DM	500	99.75	99.75	8.8125
BFCE −0.02 96	350	99.64	99.74	7.7925
BNP 05	300	97.16	97.66	8.0938
CITIZENS FED 0.15 96	100	99.05	99.80	8.2125
COMMERZBK O/S FIN 93	200	99.56	99.66	7.9375
DENMARK −1/8 96	1000	99.06	99.16	8.0000
FERRO DEL STAT 94	200	100.37	100.47	8.2500
HILL SAMUEL 1/4 PERP	75	86.00	89.00	8.5000
MITSUI FIN ASIA 1/8 96	100	99.36	99.51	8.1875
MORGAN (JP) 1/4 97	250	98.01	98.89	8.4375
NAT WEST FIN 3/16 05	400	92.55	93.55	8.3125
NEW ZEALAND 93	500	99.44	99.54	8.0625
NORTHEAST SAVINGS 1/10 96	150	99.45	99.95	8.1625
QUEBEC PROV 01	300	97.02	97.22	8.1250
RENFE 98	500	99.59	99.69	7.8750
SOCIETE GENERALE 96	300	98.52	98.62	8.0000
STATE BK VICTORIA 0.05 99	125	97.20	97.45	8.4375
UNITED KINGDOM −1/8 96	4000	99.99	100.02	8.2500

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	105⅜	106⅜	+28.99
ASDA-MFI 4 3/4 02 £	100	1.64	110	111	+44.32
BURTON GROUP 4 3/4 01 £	110	3.15	104⅛	106	
EASTMAN KODAK 6 3/8 01	300	50.67	96¾	97½	+15.01
GRAND MET 6 1/4 02 £	100	6.58	94⅛	95½	+3.46
HAWLEY 6 02 PREF	400	1.91	92	93¼	+30.81
HILLSDOWN 4 1/2 02 £	150	4.16	103½	104½	+61.26
INTL PAPER 5 3/4 02	200	68½	97½	98¼	+34.25
LAND SECS 6 3/4 02 £	84	6.72	85⅛	86⅛	+10.02
MITSUBISHI BK 1 3/4 02	300	2727.1	77	79	−5.00
THORN EMI 5 3/4 04 £	103	7.45	104⅛	105⅛	+19.45

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

LVMH to raise FFr4bn in repackaged notes deal

By George Graham in Paris

LVMH, the French drinks and luxury goods group, is to raise nearly FFr4bn of fresh cash by an issue of repackaged perpetual notes.

The issue is one of a series of similarly structured deals in which FFr15bn of repackaged notes, combining some of the advantages of both debt and equity, will be placed with mostly European investors.

The operation involves LVMH issuing FFr5bn of nominally perpetual subordinated notes to a private pool of banks.

A portion of the money is used to buy single coupon bonds – in this case issued by the Kingdom of Denmark – which will be used to repay the principal in 15 years' time.

The issue will allow LVMH to refinance around half the FFr8bn cost of doubling its stake in Guinness, the UK drinks group, to 24 per cent last summer.

This type of note was first issued in 1988 by Rhône-Poulenc, the state-owned chemicals group, and then by a number of other French nationalised companies. The flow of deals has, however, been held up in recent months by doubts over the tax treatment.

The repackaged perpetual notes can be treated in French company balance sheets as equity, but, subject to approval from the tax authorities, the coupon payments can be treated as interest and are thus tax-deductible.

The deal was managed by J.P. Morgan together with Crédit Lyonnais. Morgan is also handling similar deals for Accor (together with Banque Nationale de Paris), CMB Packaging and Legrand. Other companies which are also planning to use repackaged perpetual notes to raise capital include Ciments Français, which is expected to issue FFr1.5bn, under the lead management of Paribas, by the end of the year.

New issues hit as doubts crowd in

By Simon London

NEW issue activity in the international bond market was restricted to the Swiss franc market yesterday, underlining the fragility of the primary market in the face of political and economic uncertainties.

The Swiss franc market has remained open for Japanese corporate and supranational borrowers throughout the autumn, and the biggest publicly-offered deal yesterday was a SFr100m five-year issue from Aegon, the Dutch insurance company, via Swiss Bank Corporation, carrying a coupon of 7½ per cent.

Elsewhere, borrowers said to be looking at the market include Export-Import Bank of Japan, which is expected to come with a dollar offering at the seven to 10-year maturity with an offering in the region of $200m in the next few days.

In the secondary market, bond yields have been falling in many sectors from high points during October. Eurodollar bond spreads have narrowed over the past month, with traders reporting some buyers coming back into the market.

For example, the first tranche of the European Investment bank's $600m seven-year issue was launched at the end of October by Warburg Securities at a spread of 54 basis points over US Treasury paper, which many in the market felt to be tight. Following Wednesday's fungible offering via Goldman Sachs and Salomon Brothers, the paper is trading at 49 basis points over treasuries.

A similar picture emerges from Standard & Poor's Eurodollar corporate yield index, which is showing a yield of 9.68 per cent on Wednesday, against 9.75 per cent on November 7.

The UK gilts market rallied by four points during the Conservative party leadership elections and Eurosterling bonds followed suit.

According to syndicate managers, suspicion of corporate issues has not intensified despite signs of recession. Moreover, the best quality corporate credits appear unscathed, evidenced by the success of the British Gas £75m fungible issue launched last week via CSFB and later increased to £125m.

However, lesser quality corporate credits have relied heavily on banks as buyers of their international bonds. The banks package the bonds with an interest rate swap to construct a floating-rate asset. However, as pressure on bank margins has intensifies, the "fall back" price offered by the bank asset swap market could decline further.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Maeda Corp(b)♦◆	200	4½	100	1994	2¼/1½	Daiwa Europe
Nippon Air Brake Co.(c)♦◆	100	4½	100	1994	2¼/1½	Yamaichi Int.
SWISS FRANCS						
Aegon NV(a)◆	100	7½	101½	1996	-	SBC
World Bank(a)★★◆	100	7½	102	1998	-	Bque.Paribas (Suisse)
KFW Int.Fin.(a)★★◆	100	7½	101⅝	1996	-	Deutsche Bk (Suisse)
Shinobu Foods(d)★★♦	45	5⅛	100	1994	-	Nomura Bk (Switz)

★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. ◆Final terms. a) Non-callable. b) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.52%. Non-callable. c) Coupon was indicated at 4⅞%. Exercise premium fixed at 2.56%. Non-callable. d) Callable 27/12/92 at 102% decreasing ½% semi-annually.

Banks struggle to achieve capital adequacy

Simon London charts the difficult road to the Basle Committee proposals

THE road to capital adequacy for international banks is strewn with the wreckage of failed financial instruments.

The Basle Committee of central bank regulators published draft proposals on harmonised capital standards for the world's banking system in December 1987.

Ever since, banks have been engaged in an unequal struggle to come up with capital instruments acceptable to both regulators and investors.

The Basle Committee guidelines set down capital adequacy standards, specifying a minimum ratio of capital to assets, which are being phased in by 1993.

Total capital must reach 8 per cent of assets – although some assets, such as mortgage loans, require less than the full 8 per cent to be set aside because they are considered less risky. Each national regulatory authority interprets the guidelines somewhat differently.

Of the 8 per cent, half must be Tier I or "core" capital, comprising equity and non-cumulative perpetual preference shares.

The remainder must be a mix of Upper and Lower Tier Two capital, comprising subordinated debt instruments, provisions and revaluation reserves.

However, following a year of volatile stock and bond markets, many of the world's leading financial institutions remain short of the Basle targets.

Researchers at S.G. Warburg estimate that seven of the world's 10 largest banks – all of them Japanese – are short of capital requirements by as much as $15bn in total. There are also large banks in the US, France and Italy with potential capital shortfalls.

The situation could get worse as banks provide against non-performing loans in the face of a deepening economic gloom.

Access to Tier I capital is the overriding concern for the majority of banks, since Tier II resources cannot exceed Tier I capital under the Basle guidelines.

With stock markets in a bear phase, equity capital is expensive – if it can be raised at all.

Nationalised banks are even more limited by the reluctance of national governments to inject fresh equity funds.

This has been a particular headache for French nationalised banks. On equity measures alone, the French banks had a long way to go to meet Basle Committee Tier I requirement.

In 1985, the capital resources of leading French banks represented only 1.9 per cent of total assets, against 4.4 per cent for German banks and 5.3 per cent for the UK. General reserves tend to be higher than in the UK, but reserves are Tier II resources under Basle Committee guidelines.

To make matters worse, preference capital, the other Basle Committee Tier I alternative, can not be issued in certain jurisdictions, including France and Japan.

In an attempt to circumvent this problem, French nationalised banks Crédit Lyonnais and Banque Nationale de Paris tried to issue an intricate form of perpetual subordinated capital notes as Tier I capital in 1988.

The instruments shared some of the attributes of equity.

For example, the principle need not be repaid by the bank. Instead, interest from the 16th year onwards was prepaid at issue and invested in US Treasury stocks via a special trust company to meet redemption payments. The debt was heavily subordinated and interest payments could be stopped should the issuer run into trouble.

Moreover, the $450m of notes issued by Crédit Lyonnais included a feature by which the face value of the notes could be written down after 15 years if the bank ran into difficulty.

Estimates suggest that seven of the world's top 10 banks - all of them Japanese - are short of capital requirements by as much as $15bn in total.

This would not affect the note holders but would restrict the ability of the bank to lend against the capital – acting as a "shock absorber" in the manner of equity.

However, this was not good enough for the Basle Committee and the instruments were ruled to be Tier II – of which the banks in question already had enough.

Outside of France and Japan, banks have been focusing on non-cumulative, non-redeemable preference shares for Tier I capital.

These instruments pay a fixed interest rate and have a prior claim to the assets of the bank than ordinary shareholders. However, interest payments can be suspended if the bank gets into trouble and do not mount up for payment at a later date.

The big demand for non-cumulative preference shares is in the US, although investors are loath to take paper from banks with anything less than a double-A credit rating. Elsewhere, Barclays is believed to be developing a similar instrument for issue in the Far East, and Bank of Scotland has raised £100m of Tier I capital with a sterling preference share issue.

Where demand for preference capital can be tapped, the main drawback is one of cost.

The coupon payments on preference shares are paid out of after-tax profits – they are not tax deductable for the bank. The main challenge facing bank treasurers is to devise a structure which counts as Tier I "equity" capital for Basle purposes but offers tax deductible servicing costs like a debt instrument.

Such debt/equity hybrids are already being issued by UK corporations in the form of convertible capital bonds and by French companies on a model similar to the Crédit Lyonnais/BNP issues.

The financial engineers are now trying to adapt some of this technology for the banks.

Playing on international tax treaties can help cut the cost of capital.

Thus Barclays' US preference shares cost it 8 per cent but the yield was more than 11 per cent to the investor – because advanced corporation tax (ACT) can be reclaimed under the UK/US tax treaty.

National Westminster, Midland and Bank of Scotland have made filings with the US Securities and Exchange Commission allowing them to make similar preference issues when market conditions are right.

Another way of cutting the cost of capital is to issue the preference shares through an offshore subsidiary.

However, it is difficult to repatriate the share capital from a subsidiary to the parent bank in a manner acceptable to banking regulators.

While Tier II debt raised by a subsidiary can be lent on to the parent bank without any problem, it is against company law for a subsidiary to hold shares in its parent company.

Other methods of "upstreaming" have proved either prohibitively expensive or have not satisfied the Basle Committee.

Another hurdle to the development of offshore preference shares is that investors in the international bond market demand that interest is paid gross, which would rule out reclamation of ACT or withholding tax on the US model.

Any changes to the original Basle ratios will be hard-won and new instruments will not be readily accepted as Tier I capital.

"The principle is that the Basle committee is trying to keep Tier I clean, simple and free of debt.

"It doesn't like debt instruments and complicated repackaging of debt instruments", commented one monetary source.

On the other hand, the BIS will want to avoid the embarrassing spectacle of many of the world's leading banks falling foul of its own standards.

(A second article examining Tier II capital will appear on the international capital markets pages next week)

US modifies price for Venezuelan debt restructuring

By Peter Riddell, US Editor, in Washington

THE US Treasury is to issue $7.5bn of zero-coupon 30-year bonds to Venezuela as part of its debt restructuring. The pricing has been modified from a similar bond issue for Mexico which attracted considerable criticism.

Both the General Accounting Office, the Congressional watchdog, and the House Banking Committee argued that the Mexican terms represented a hidden subsidy by US taxpayers, a charge denied by the US Treasury.

The Mexican issue was priced on the basis of the yield for 30-year Treasury bonds, while the Venezuelan issue, which is less than a quarter of its size, will be based on the price of Strips, as Treasury bonds that are stripped of their coupons are known. The price is at a deep discount so that Venezuela will pay about $811m for the bonds.

The change in pricing means Venezuela will pay more for the bonds, around 25 basis points, than if the Mexican method had been used, though the fee paid to the US Treasury will be smaller, saving roughly $15m. The lower fees on zero-coupon issues will apply to domestic issues, like those involved in the savings and loan rescue, as well as international placings.

The Treasury bonds will be used as collateral to back bonds that Venezuela will issue in exchange for commercial bank loans.

The price of the Treasury zero-coupon bond will be based on the Strips rate of the two Strip securities with maturity dates nearest to the maturity of the Venezuela debt securities (March, 2020). That rate will be reduced by a 4.7 basis point accommodation fee.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 29 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Wed Nov 28 Index No.	Tue Nov 27 Index No.	Mon Nov 26 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (195)	718.10	-0.7	14.94	6.65	8.18	34.18	722.81	727.59	724.40	875.51
2	Building Materials (26)	985.47	+0.2	14.73	6.20	8.35	41.09	983.64	991.33	988.71	1045.21
3	Contracting, Construction (34)	1159.44	-0.5	16.20	6.94	8.02	59.48	1165.62	1181.64	1175.74	1392.69
4	Electricals (10)	1877.26	-1.2	14.95	7.18	8.19	99.22	1900.53	1918.11	1906.09	2478.64
5	Electronics (26)	1578.20	-0.9	10.69	5.45	12.73	60.29	1592.77	1596.54	1609.33	1925.11
6	Engineering-Aerospace (8)	389.76	-1.8	17.21	6.25	6.96	17.27	396.89	400.20	396.41	0.00
7	Engineering-General (47)	358.05	-0.5	16.15	7.15	7.47	18.02	359.76	361.62	361.39	0.00
8	Metals and Metal Forming (8)	401.85	+0.1	23.06	8.50	5.33	24.83	401.43	401.23	396.11	459.02
9	Motors (13)	282.28	-1.5	17.69	8.52	6.59	17.45	286.55	293.64	291.56	365.76
10	Other Industrial Materials (23)	1230.38	-0.8	13.73	6.66	8.42	62.04	1240.86	1244.71	1230.97	1648.82
21	CONSUMER GROUP (178)	1203.39	....	10.21	4.28	12.18	35.49	1203.03	1211.54	1211.44	1280.64
22	Brewers and Distillers (22)	1526.85	-0.2	10.48	3.91	11.78	33.88	1529.53	1543.43	1550.69	1463.47
25	Food Manufacturing (19)	1011.42	-0.5	11.45	4.89	10.74	31.63	1016.36	1022.33	1018.64	1127.23
26	Food Retailing (16)	2235.69	+0.7	10.07	3.37	12.98	58.72	2219.56	2234.19	2251.31	2288.82
27	Health and Household (18)	2433.54	+1.0	7.30	3.11	16.23	59.14	2408.86	2407.01	2399.47	2604.07
29	Leisure (32)	1232.60	+0.2	12.38	5.39	9.82	44.64	1229.66	1230.31	1232.41	1582.23
31	Packaging & Paper (12)	510.50	+0.2	12.62	6.82	9.74	23.79	509.59	511.50	510.42	535.89
32	Publishing & Printing (13)	2970.16	-0.1	12.10	6.38	10.34	139.88	2973.53	2972.47	2946.01	3667.23
34	Stores (34)	801.89	-1.2	10.65	4.54	12.20	25.63	811.39	830.25	829.63	786.24
35	*Textiles (12)*	*428.43*	*-0.6*	*13.78*	*8.29*	*9.20*	*26.32*	*430.99*	*433.89*	*429.11*	*512.66*
40	OTHER GROUPS (106)	989.44	-0.4	12.69	5.81	9.56	33.65	993.38	1000.76	1000.41	1139.86
41	Agencies (14)	888.96	-2.9	12.00	3.78	10.09	23.93	915.22	923.86	921.37	1518.23
42	Chemicals (24)	1037.61	-1.1	13.06	6.50	9.03	50.79	1049.29	1059.81	1059.67	1200.45
43	Conglomerates (14)	1287.79	-1.5	13.18	7.78	9.11	41.19	1307.14	1309.35	1298.02	1646.52
44	Transport (15)	1824.39	-1.5	14.09	5.59	8.76	72.05	1852.76	1864.26	1852.08	2201.86
46	Telephone Networks(3)	1148.90	+0.9	11.64	4.39	11.17	26.09	1138.23	1149.30	1156.82	1116.48
47	Water(10)	2101.69	-0.2	13.80	6.44	8.21	68.12	2105.15	2121.90	2131.84	0.00
48	Miscellaneous (26)	1514.68	+0.7	12.36	5.86	9.40	63.59	1504.82	1515.71	1514.06	1886.84
49	INDUSTRIAL GROUP (479)	1020.15	-0.3	12.01	5.27	10.22	35.60	1022.73	1029.97	1028.83	1148.84
51	Oil & Gas (21)	2371.42	+0.7	9.43	5.36	13.84	95.39	2355.57	2358.08	2343.85	2249.31
59	500 SHARE INDEX (500)	1130.60	-0.1	11.61	5.29	10.66	40.42	1131.81	1138.76	1136.62	1241.05
61	FINANCIAL GROUP (102)	711.60	-2.0	-	6.70	-	34.02	726.36	735.82	727.43	811.50
62	Banks (9)	751.38	-3.2	21.77	7.67	6.02	42.00	776.61	794.01	782.84	838.51
65	Insurance (Life) (7)	1303.16	-0.7	-	5.89	-	55.82	1312.09	1310.24	1294.21	1372.66
66	Insurance (Composite) (6)	628.37	-2.6	-	6.81	-	32.08	645.00	647.86	633.99	699.36
67	Insurance (Brokers) (8)	967.40	-0.5	7.82	6.65	16.74	48.39	972.23	976.37	970.79	1131.08
68	Merchant Banks (7)	353.92	-0.3	5.48	5.81	24.34	14.24	355.12	355.41	354.43	461.35
69	Property (44)	957.52	-0.7	7.91	5.08	16.74	30.55	964.36	983.52	981.69	1166.56
70	Other Financial (21)	247.35	-0.9	11.43	7.29	11.24	13.00	249.58	249.28	250.58	317.53
71	Investment Trusts (70)	1003.82	-0.4	-	4.01	-	28.74	1008.05	1014.13	1012.15	1255.68
91	*Overseas Traders (5)*	1180.81	+0.1	12.09	7.82	9.85	70.90	1179.80	1181.57	1190.44	1442.10
99	ALL-SHARE INDEX (677)	1027.16	-0.4	-	5.47	-	38.48	1031.25	1038.59	1035.23	1138.67

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 28	Nov 27	Nov 26	Nov 23	Nov 22	Year ago
FT-SE 100 SHARE INDEX♣	2135.6	-8.7	2145.9	2129.8	2144.3	2159.5	2151.9	2170.5	2127.9	2276.8

FIXED INTEREST

	PRICE INDICES	Thu Nov 29	Day's change %	Wed Nov 28	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	120.22	+0.11	120.10	-	10.71
2	5-15 years	127.85	+0.63	127.05	-	11.95
3	Over 15 years	129.47	+1.02	128.16	-	10.78
4	Irredeemables	144.95	+0.99	143.53	-	13.46
5	All stocks	127.27	+0.48	126.65	-	11.55
	Index-Linked					
6	Up to 5 years	157.93	+0.11	157.76	-	3.04
7	Over 5 years	144.64	+0.11	144.48	-	3.45
8	*All stocks*	145.52	+0.11	145.36	-	3.42
9	Debentures & Loans	100.84	+0.08	100.91	0.15	11.14
10	Preference	73.51	-0.03	73.53	-	6.44

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 29	Wed Nov 28	Year ago (approx.)
	British Government				
1	Low	5 years	9.44	9.58	10.32
2	Coupons	15 years	10.29	10.43	9.88
3		25 years	10.36	10.49	9.80
4	Medium	5 years	10.94	11.01	11.34
5	Coupons	15 years	10.70	10.83	10.27
6		25 years	10.58	10.72	9.92
7	High	5 years	11.07	11.15	11.48
8	Coupons	15 years	10.90	11.02	10.48
9		25 years	10.78	10.92	10.06
10	Irredeemables†		10.55	10.66	9.90
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.76	3.80	3.84
12	Inflation rate 5%	Over 5 yrs.	4.16	4.16	3.72
13	Inflation rate 10%	Up to 5 yrs.	2.48	2.52	2.97
14	Inflation rate 10%	Over 5 yrs.	3.97	3.98	3.54
15	Debs &	5 years	13.25	13.24	12.94
16	Loans	15 years	12.86	12.85	12.48
17		25 years	12.53	12.53	12.12
18	Preference†		12.83	12.82	10.76

♣Opening index 2135.9; 9 am 2132.5; 10 am 2136.4; 11 am 2144.3; Noon 2145.6; 1 pm 2145.1; 2 pm 2139.3; 2.30 pm 2138.8; 3 pm 2137.6; 4.10 pm 2138.4; (a) 11.41am (b) 8.52am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	0	12
Corporations, Dominion and Foreign Bonds	2	3	16
Industrials	232	334	983
Financial and Properties	63	174	507
Oils	21	18	52
Plantations	2	1	7
Mines	30	23	99
Others	64	42	101
Totals	488	595	1,777

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings Nov. 26
- Last Dealings Dec. 14
- Last Declarations March 7
- For settlement March 18

For rate indications see end of London Share Service. Calls in Aviva Pet., Brent Walker and Premier Cons. Puts in Berisford Intl. and Lovell (YJ).

LONDON TRADED OPTIONS

WORRIES over increasing tension in the Gulf continued to undermine equity futures yesterday as oil prices edged higher, while hopes of an early reduction in UK interest rates started to recede after Mr John Major, the prime minister, announced his new cabinet.

The news that the allied forces in the Gulf had been placed on alert ahead of the debate in the United Nations on the possible use of force to liberate Kuwait led to a late weakness in futures prices.

The market had opened lower following Wall Street's weaker tone. Dealing during the first half of the session was boosted by switching out of the December contract, which expires at the end of next month.

Also hanging over the market was the news that Mr Norman Lamont had been appointed chancellor of the exchequer. Traders believe him to be less likely to order an early cut in base rates.

The December FT-SE 100 index closed at 2,166, down 5 points on the day, while its premium over the cash index was little changed at 28. With December's fair value premium estimated at 16 points, institutions have been encouraged to roll over into the March contract.

In the traded options market, dealing was dominated by the expiry later today of the December FT-SE index option contract.

Total options turnover amounted to 31,858 contracts, of which the FT-SE index accounted for nearly 50 per cent, against its usual 25 per cent. The busiest FT-SE series was the December 2,300 calls, which traded 3,024.

Among the stock options, Rolls-Royce was the busiest, with dealing concentrated among marketmakers.

The bulk of the day's 2,626 contracts traded were calls, particularly the March 180 series. Elsewhere, Glaxo traded 1,067; Marks & Spencer 913; and Shell 850.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*480)	420	63	83	88	2½	8	13
	460	32	53	62	11	18	28
	500	12	31	42	35	40	48
ASDA (*127)	120	12	18	22	4	6½	9
	130	7	12	18	8	12	14
	140	3½	8	12	16	18	20

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Storehouse (*110)	110	7	12	16	7	10	14
	120	4	8½	10½	14	16	18
Trafalgar (*167)	160	17	27	29	12	20	28
	180	9	16	18	25	35	40
Utd. Biscuits (*313)	300	26	34	40	6	13	16
	330	9	18	25	22	28	30

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*63)	60	6	10	13½	3	6	7
	70	1½	6	9	9	12	13½
Barclays (*365)	360	-	33	43	-	24	30
	390	4	-	-	29	-	-
Blue Circle (*222)	220	10	24	27	6½	14	20
	240	2½	14	18	20	26	31
British Gas (*234)	220	17½	24	32	2	7	8½
	240	4½	12	20	9	14	16

[illegible]

UK COMPANY NEWS

Rhodium rise offsets fall in prices of other precious metals

Static start at Johnson Matthey

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, the precious metals refining and marketing group, was "in good heart and going quite well," said Mr David Davies, chairman, yesterday after reporting that, in spite of tough trading conditions, taxable profit for the six months to September 30 had slipped by only 3 per cent, from £33.5m to £32.5m.

JM's share price rose 2p to 220p immediately after the news, boosted, analysts suggested, by the company's decision to lift the interim dividend payment by ⅛p to 3p. Mr Davies emphasised this did not necessarily indicate that the full-year dividend would be increased. It was "to restore a more normal balance between the interim and final dividend".

The outcome for the full year would depend on precious metal prices and exchange rates, as well as on the effect of the recession on JM's customers, he pointed out.

Operating profits were down in three of the four divisions. Precious metals prices, with the exception of rhodium, had been lower and the dollar weakened against sterling, reducing profits earned overseas.

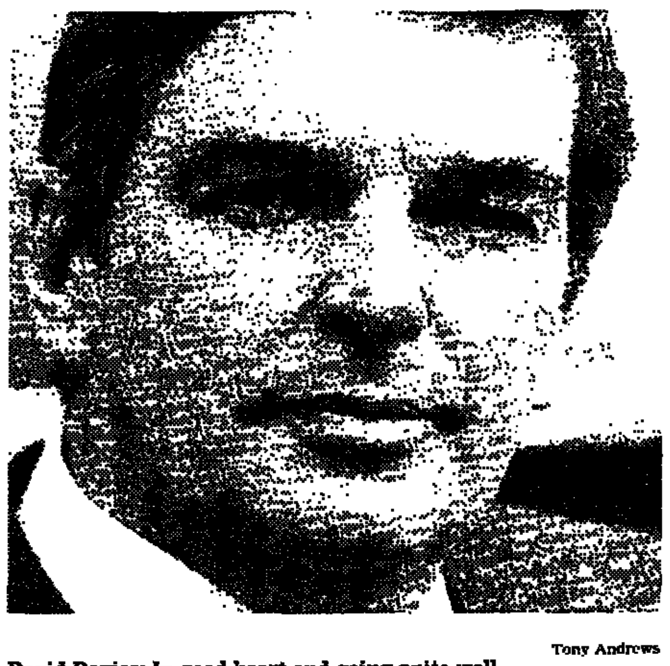
This was partly offset by the price of rhodium, used in automotive catalysts, which jumped from an average of £790 a troy ounce to more than £3,500 at one stage before settling at £2,278. In addition, a healthy balance sheet and high interest rates resulted in net interest earned of £2.3m, compared with interest payable of £100,000.

A higher tax charge of £10.8m (£8.2m) reduced profits after tax from £25.3m to £21.7m and earnings per share from 13.8p to 11.8p.

● **COMMENT**

JM is begining to look recession-proof. Tough operating conditions are being compensated for by the hard-nosed rationalisation programme, which already has claimed 385 jobs but continues for another year or so. First-half profits were bolstered by an unexpected, huge jump in rhodium prices and a useful £2.3m of net interest earned. But, to give credit where it is due, JM made the most of organising the supplies of rhodium which were available and its treasury made sure that borrowings were mainly in platinum, which attracts interest of only 3 to 4 per cent, while available cash was deposited in sterling money markets. The new management continues to take a hard line in setting operating company targets, it looks for a 20 per cent return on net assets, even though this will be exceptionally difficult to achieve in the current economic climate.

Analysts expect the second-half to be unexciting and to produce full-year pre-tax profits of about £64m compared with £48.2m in 1989-90 (a total reduced by hefty provisions). They expect the current year's dividend to be lifted from 8½p to 9½p. This justifies the present share price and, for anyone willing to take a one to two-year view, JM looks good value.



Tony Andrews

David Davies: In good heart and going quite well

TIP Europe shares dive on profit warning

By Jane Fuller

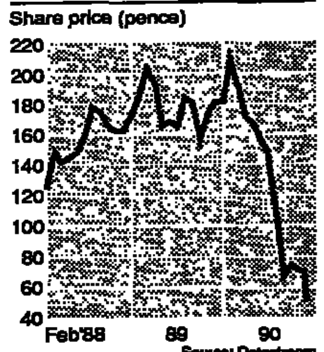
SHARES in TIP Europe, the Anglo-Dutch trailer rental company, plunged 22p yesterday to 49p after a warning that its pre-tax profit would fall below last year's level.

The highly geared, formerly acquisitive company also announced that Mr Jim Davis had taken over as non-executive chairman, replacing Mr Jim Cleary, the executive chairman who was standing for re-election to the board as a non-executive director.

The group, which has been hit by a fall in demand for its UK fleet, had been expected to increase pre-tax profit to £16m or £17m this year.

Mr Davis said that following a bad start to the year, it was unlikely to match the £15.5m made in the 12 months to July 31 in spite of a recent improvement in trading.

TIP Europe



TIP was also discussing the interest cover stipulation attached to a loan covenant with some of its banks because it had fallen below the mark. Mr Davis said this "blip" was being sorted out and the banks were being very good.

The group had faced no difficulty paying its interest and borrowings were coming down. At the year end they stood at £160m, representing a gearing of 370 per cent.

On the management changes, Mr Davis said: "After a period of rapid growth, the board wanted "a more aloof, objective non-executive chairman. When you acquire, there is always a lot of fat and there are a lot of savings to be made."

The changes were designed "to put distinctive people in charge of trailer rental and other activities." The priorities would be cost control and hard marketing.

Interest turnround of £6.8m dents BPB Industries' profits

By Andrew Taylor, Construction Correspondent

OPERATING PROFITS of BPB Industries' gypsum and plasterboard businesses tumbled by 47 per cent from £53.7m to £28.7m during the six months to the end of September.

Total operating profits fell by a third to £44.4m (£66.8m) despite a 20 per cent increase in paper and packaging profits to £15.7m (£13.1m).

Earnings per share fell by 41 per cent to 7.6p (12.9p) as pre-tax profits slipped to £45m (£74.6m). Interest charges totalled £4.6m (£2.2m receivable).

Group turnover, following the sale of four non-gypsum businesses for about £40m fell to £377.5m (£420.8m).

The disposals created a book profit of £10m which was taken as an extraordinary item. The company is currently negotiating the sale of a fabrics subsidiary in Germany and a headquarters building near Nottingham.

Mr Brian Hogben, finance director, said gearing was currently about 50 per cent and was expected to remain at that level at the end of the financial year. Borrowings had risen following recent large acquisitions – of 65 per cent of Inveryeso, Spain's leading gypsum producer, for £97m, and SAMC and Plâtres Lambert in France for £129m.

The purchases were in line with the group's policy of making it a market leader in each of the countries in which it operated, said Mr Hogben.

● **COMMENT**

The halcyon days for BPB when margins on UK plasterboard deliveries were about 25 per cent are long gone. Earnings per share, which for 15 years rose at an average annual rate of 20 per cent, fell by more than 40 per cent in the first half as margins on UK plasterboard sales slipped below 10 per cent. It is little comfort to shareholders that BPB claims its rivals in the UK are having to sell at a loss to win market share. Redland's option to sell its share of its plasterboard venture to Lafarge currently looks like a good deal. Prospects are unlikely to improve in the short term. The UK construction market remains deeply depressed and the price war in western Europe would appear to have some way to run yet. BPB has worked hard to get its costs down but profits are still only likely to about £90m for the full year compared with £126.4m in 1989/90. This puts the group on a prospective p/e of just over 12.

Capital Radio up 5% to £15.8m

By Jane Fuller

CAPITAL RADIO, the London commercial radio group, increased pre-tax profit by more than 5 per cent to £15.84m in spite of a slight decrease in advertising revenue.

The profit growth in the 12 months to September 30 1990, from £15.04m, was helped by a £740,000 increase in interest income and by a full-year contribution of £716,000 from Ewart, the independent television studio acquired in June last year.

The group's turnover advanced by less than 3 per cent to £37.52m (£36.57m). Mr Nigel Walmsley, managing director, said the last two months of the year had been disappointing, although there had been some recovery in October.

Capital Radio, which accounted for 92 per cent of turnover, increased the audiences for both its music stations, with Capital Gold, the "golden oldie" business launched two years ago, growing from 1.8m to nearly 2.5m listeners compared with Capital FM's 3.9m. Allowing for overlap, Mr Walmsley said they reached 43 per cent of the 10m Londoners, up from 38 per cent the previous year.

To combat the downturn in advertising, operating costs had been cut by 4 per cent.

A further saving of £400,000 a year was to come in payments to the Independent Broadcasting Authority as, under the Broadcasting Act, it switched to a fixed tariff rather than charging a higher rate to larger stations.

Cash rose to £15.14m, compared with £8.79m in September 1989. The sale of a stake in a publishing group netted an extraordinary profit of nearly £800,000. Net assets rose 33 per cent to £24.3m.

Because of an increased number of shares in issue, partly reflecting the Ewart acquisition, earnings per share were 15.6p (15.5p). A proposed final dividend of 3.5p makes a total of 5.35p (4.5p).

● **COMMENT**

Although a tough year lies ahead for advertising revenue, Capital Radio is in a good position to limit the damage through its strong market position. Analysts were also holding out some hope of an upturn next summer. Even so the dominant radio business will do well to hold its trading profit after a slight fall last year. A more positive picture comes from the other, albeit much smaller, activities. Healthy cash generation, the benefit of sound investments and progress at Ewart should produce growth. Meanwhile the management has set a firm course on cost control. All this adds up to a solid outlook for pre-tax profit, forecast to rise to £16.5m this year. But the opportunities both to gain more ground in local radio outside London and to apply, perhaps in a consortium, for a national station will more than make up for any lack of excitement in the figures. On yesterday's closing price of 149p (up 4p), the prospective p/e is 9.4. It remains a quality investment, although the adverse business climate limits the scope for short-term progress.

Caledonia Investments advances 15% to £19m

By David Owen

CALEDONIA Investments, the investment holding company, yesterday reported a 15 per cent advance in interim profits buoyed by a three-fold increase in net interest receivable.

The company attributed this to the augmentation of its cash deposits by the receipt last December of £82m from the redemption of British & Commonwealth preference shares. Caledonia sold the bulk of its 31 per cent stake in the collapsed financial group three years ago for 475p per share.

Taxable profits for the six months to September 30 rose from £16.6m to £19.1m. Net interest receipts increased to £8.5m (£2.7m). Investment income slipped to £11m (£14.1m).

This decline was due to a reduction in the amount receivable under the B&C preference share arrangements. The group, which has prospered by retaining on deposit a large proportion of resources, hinted that its cautious approach may change.

"We consider that the present subdued economic climate is more likely to yield interesting investment opportunities."

Earnings per share, affected by a higher tax rate, 33.5 per cent against 27 per cent, climbed by 7 per cent to 13.4p (12.5p). An interim dividend of 4.5p (4p) was declared.

DIVIDENDS ANNOUNCED

BPB Industries ....int	4	Jan 25	4	-	11.25
Caledonia Inve ....int	4.5	Jan 24	4	-	10
Capital Radio ....fin	3.5	Jan 11	3	5.25	4.5
Dawson Intl ....int	2.9	Jan 22	2.9	-	9
Hunter Saphir ....int	1.35	Feb 14	1.35	-	5.05
Jarvis Porter ....int	1.4	Jan 18	1.4	-	4.2
Johnson Matthey .....int	3	-	2.5	-	8
MEPC ....fin	13.75	-	12.5	19	17
Mountview Ests ......int	6	-	4	-	11.5
Osborne & Little......int	2	Jan 23	2	-	5.8
Penny & Giles ....int	1.45	Jan 31	1.25	-	4.25
Porter Chadburn .....int	0.8†	Apr 8	0.725	-	2.175
Royal Bank Scot ......fin	5.6	-	4.8	8.4	7.2
Sidlaw Group ....fin	5	-	4.7	8	7.7
South West Water ....int	6.7	March 4	-	-	-
Stocklake Hldgs ......int	9	Jan 8	7.5	-	18

Dividends shown pence per share net except where otherwise stated. †On capital increased by rights and/or acquisition issues.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Albrighton, Arlen, Asprey, European Colour, Flagstone Hldgs., Kitty Little, Stoddard Sekers Intl., Tops Estates, Vistec, Xtra-Vision

Finals- Control Techniques, United Drug.

AB Electronic shares fall 31p on warning

By David Owen

Shares of AB Electronic Products dived yesterday after Sir Peter Phillips, chairman, warned that the Glamorgan-based electronic components manufacturer might report an interim loss.

The shares closed 31p down at 87p, having recovered from a day's low of 81p. At the closing price, the group is valued at some £22m.

Speaking at the company's annual meeting, Sir Peter said that full-year sales were expected to be lower than last year and that "the outturn for the first half . . . may result in a small loss".

Price competition had been severe "for some considerable time" and profit margins had been falling. "Although sales prospects remain depressed, the cost base will be reduced by measures we have taken."

Steps have included combining connector manufacturing operations at Northampton and Abercynon, Mid Glamorgan, merging two microproduct businesses and cutting head office staffing. The group had cut staff by 11 per cent since June 30 last, Sir Peter added.

In the year to June 30, AB reported pre-tax profits of £11.13m on turnover of £261.3m. The group's activities include assembling printed-circuit boards for computer manufacturers.

UK COMPANY NEWS

Receivable interest boosts South West Water to £46m

By Jane Fuller

SOUTH WEST Water, one of the 10 water companies privatised last December, increased profit before tax by 5.5 per cent to £46.4m in the six months to September 30.

The growth, on turnover up 16 per cent to £71.1m, was worked out on a pro forma basis, assuming the same capital structure for the comparative period as that bestowed at the December privatisation – notably the £265.9m cash dowry.

The first-half operating profit of £26.1m (£25m), was nearly matched by interest income of £20.3m. Mr Roger Furniss, head of corporate affairs, said that only £4.9m of the dowry had been drawn down so far in spite of the group being on course for £120m of capital spending this year, a 50 per cent increase.

Cash management had included reinvestment of profit, taking out European Investment Bank loans at favourable rates and arranging finance leasing facilities. The arrangements meant that funding was in place until well beyond the half-way stage of the company's 10-year £1.4bn capital spending programme.

Mr Furniss said the priorities were to improve the treatment and handling of waste and clean water, with £435m earmarked for bathing water.

The turnover increase also reflected the emphasis on raising standards at sewage and water treatment works. This had started in the second half of last year, so the difference had shown through in the first-half comparisons.

He said the company recognised its vulnerability on pollution issues, hence the heavy capital spending programme and the increased operating spending.

It is one of five water companies facing prosecution by the National Rivers Authority for alleged sewage treatment failures. However, on the separate issue of water poisoning at Camelford, Cornwall, the company was free of any liability. The residuary authority was facing the consequent charges and if any penalties arose, the Department of the Environment would be responsible for paying, Mr Furniss said.

While the group was concentrating on the capital spending programme for its core activities, it did have other promising areas of activity. One was a scientific instruments company called Phox, bought in July, the other was property development at sites in Exeter and Plymouth.

The interim dividend is 6.7p. Mr Furniss cautioned against applying too closely the prospectus formula of one-third interim, two-thirds final, stressing the word "approximately". The figure for 1989-90 was 11.62p.

Earnings per share were 35.7p.

● COMMENT

While the figures for operating profit were in line with expectations, South West did well to improve pre-tax profit by cashing in on high interest rates. Its fund managers achieved returns of more than 16 per cent on an annualised basis, a good performance for non-equity income. On the other side of the equation, capital spending was 60 per cent ahead of the first half of last year and therefore well on course to reach the £120m target. Pre-tax profit for the current year is forecast to reach £87m, giving a prospective p/e of less than 4 on yesterday's close of 254p for the partly-paid shares, a premium of 84p over the two paid instalments. But most important is the dividend which is forecast to be 20.1p, a prospective yield of 10.6 per cent. If South West continues to manage its capital spending well, and it is still early days, the upside is that its yield can be about 10 per cent better than others in the sector.

Bad debt provision cuts Royal Bank of Scotland to £241m

By David Waller

THE LEVEL of provisioning for bad and doubtful debts at the Royal Bank of Scotland more than doubled in the second half of the year to end-September, compared with the first six months of the year, leading to a 28 per cent fall in underlying pre-tax profits for the 12 months.

Stripping out the contribution from property sales and exceptional items, the banking group's pre-tax profits fell from £336m to £241m for the year.

The main reason for the fall was an increase in bad debt provisions from £88.1m to £193.8m for the year as a whole. The provision for the second half was £136m against £57.8m for the first six months of the year.

Despite this, the directors are recommending a final dividend of 5.6p which makes a total payout of 8.4p a share, an increase of nearly 17 per cent on the 7.2p paid in 1989. Sir Michael Herries, chairman, said the increase reflected the group's sound capital ratios and general financial strength.

The results benefited from the group laying off some of its exposure to less developed country debt. This led to a £20.8m release of exceptional provisions made in previous years, which helped reported pre-tax profits rise by 14.9 per cent to £262.2m for the year. Earnings per share after exceptional items rose from 19.9p to 21.1p, covering the dividend 2.5 times.

A bad result had been widely expected, and in the event stockbrokers' fears proved overdone. After dropping in the past few days, the share price rose by 5p to 149p against the trend of the market.

The main feature of the results was the increase in the bad debt provision. While this reflected the general deterioration in the state of the economy, the bank said approximately half the provision reflected the group's exposure to a "handful" of companies which have collapsed during the past year.

The bank refused to name the individual cases, but City analysts estimated that its exposure to Lowndes Queensway, the retailer which went into receivership earlier this year, was £40m, and £20-£30m to British & Commonwealth, the financial services group now in administration. Profits before these provisions were up 7 per cent.

All smiles in the boardroom – Sir Michael Herries (left) chairman, with chief executive Charles Winter (centre) and George Younger, deputy chairman

Total assets grew by 10 per cent to £30.1bn, but Mr Charles Wintour, chief executive, said the poor economic climate would make it hard to grow the loan book. At the same time, costs had risen and the bank was having to finance non-performing loans and interest-bearing current accounts.

In a difficult year for corporate finance, the profits contribution from Charterhouse, the merchant banking subsidiary, dropped from £53.4m to £47.9m – an encouraging result under the circumstances, the bank said.

There was an extraordinary profit of £34.6m arising from the sale of its stake in Yorkshire Bank.

Separately yesterday, RBS said it had terminated negotiations to buy BankWorcester Corporation, a New England bank.

These were started in February, but the chairman said yesterday economic conditions in New England had deteriorated since then, and the price of $149m (£76m) discussed at the time was no longer appropriate.

See Lex

Rise in oil price helps lift Premier profit by 56%

By Richard Gourlay

PREMIER CONSOLIDATED Oilfields, the independent exploration company, yesterday announced a post-tax profit of £3.2m for the six months to the end of September, up 56 per cent.

The result was helped by an increase in production and the rise in the sterling price of crude oil.

Turnover rose 72 per cent to £14.1m, reflecting a 30 per cent rise in production to 6,700 barrels a day and a 32 per cent increase in the sterling oil price to £11.33.

Premier benefited from only one month of higher oil prices during the period following the Iraqi invasion of Kuwait on August 2, but the present half was likely to see further improvement in profitability, said Mr Roland Shaw, chairman.

During the period, Premier faced a higher tax charge, as a result of the increased production and incurred net interest charges of £266,000, compared with £1.2m received, reflecting the interest payable on the £28m bond issue raised in February.

In June, Premier paid £32m in its second and last payment for its share of Wytch Farm, Dorset, Europe's largest onshore development, in which it has a 12.5 per cent interest.

Wytch Farm has been producing at more than 70,000 barrels a day, following problems with gas flaring which saw output cut to about 30,000 barrels. BP, the operator, has just submitted a bill to Parliament for approval to develop a custom-built island in Poole Bay for offshore development.

Mr Shaw blamed the desultory performance of the share price since the Iraqi invasion on an "artificial market" following the placement of Burmah Castrol's 29 per cent stake in Premier.

Since August 2, Premier's share price has slid from about 98p to 73p, partly because of Kleinwort Benson's failure on August 6 to place the stake. This led to large losses for Kleinwort and an overhang of shares which depressed the market even after it was finally placed on October 17.

Yesterday the shares closed unchanged at 73p.

"We believe it will take some time for the market to shake out and for the shares to climb back to levels which represent the real value of the company," Mr Shaw said.

Ascot in £14.5m market placing

A new investment trust, specialising in UK smaller companies, is being launched via a placing on the main market, writes Philip Coggan.

Aberforth Smaller Companies Trust – Ascot for short – is aiming to raise £14.5m, after expenses, with a placing of 15m shares of 100p each. The shares are being issued with warrants attached, on a one-for-five basis.

Each warrant entitles the holder to buy an Ascot share at 100p between 1992 and 2003. Trusts issue warrants to try to narrow the discount to net assets at which shares trade.

The financial adviser and sponsor of the issue is James Capel.

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UK COMPANY NEWS

Off-peak power to offset costs of pylon agony

Clare Pearson on South Western, 'hard to call'

THERE IS a famous story told about South Western Electricity.

One night during the winter of 1985-6 demand for the company's electricity distribution system peaked at 1.30 am, when most of its customers were in bed.

This strange situation resulted from a concerted effort to sell electricity for off-peak heating; it proved almost embarrassingly successful when a huge uplift in demand occurred at a time when the system was unprepared for it.

To this day, the company has an unusual load curve. But it invented a means of staggering demand by providing customers with electricity in two tranches during the night controlled by teleswitches. These have now been installed in about 60,000 homes in its region.

This imaginative idea, which has since been copied by other companies, helped South Western claim a share of the household central-heating market which is about 50 per cent higher than the national average.

That is particularly significant for the company since, after Seeboard, it makes proportionately more of its sales to domestic customers than any other regional company.

Unlike south-east-based Seeboard, these customers are sparsely scattered over the long narrow peninsular of Devon and Cornwall, the Isles of Scilly and parts of the counties of Somerset, Dorset and Avon.

Reaching across this terrain requires long stretches of overhead line. Mr John Seed, managing director, says: "South Western has the highest investment in terms of assets per customer of any of the companies."

Being never far from the sea, the system is particularly exposed to the batterings of the elements. The company is currently engaged in a big programme to refurbish it, replacing aluminium with copper which is more resistant to salt corrosion.

It was partly thanks to this refurbishment programme that South Western managed to obtain generous scope to increase prices in the core distribution business in negotiations with the government earlier this year.

Its X factor, part of a formula whereby distribution prices can be raised in relation to inflation, was set at 2.25, much higher than that of London, Eastern, Seeboard and Southern.

Mr Seed says the X level also reflects the company's record on growth in distribution load, which historically has been less impressive than that of those companies more sensitive to growth in the economy.

However, the picture of South Western as "out in the sticks" can be taken too far. Recent years have seen commercial businesses develop rapidly in many of its cities – most especially Bristol to which financial services companies such as Lloyds Bank have relocated.

Most projections are for stronger-than-average economic growth in the region during the 1990s, and South Western intends to respond to this.

Mr Seed says: "We are now directing our marketing effort much more to commerce and industry, which perhaps have not been given proper attention in the past."

The company is also keen to develop non-distribution businesses.

It is one of those companies most likely to get involved in generation in the future. Along with three others, it has contracted to purchase power from the new station being built by Enron at the ICI plant on Teesside. It has an option to take a shareholding of up to 7.69 per cent in the plant which if exercised will cost it up to £15m.

It has also been working hard on its appliance retailing business. It now has three superstores and was the first of the regional companies to open such an outlet, in Bristol in December 1988.

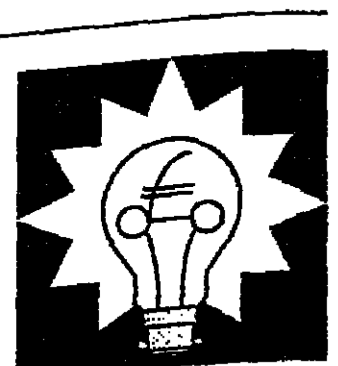
Customer breakdown of sales

	South Western(%)	Industry(%)
Domestic	43.1	34.4
Commercial	24.8	25.9
Industrial	26.6	36.7
Other	5.5	3.0

Source: UBS Phillips & Drew

South Western Electricity

Bill Nicol: scope to increase prices in distribution



PRIVATISATION

Mr Seed sees this pioneering move, together with other achievements such the night-time teleswitches, as part of a record of innovation that has not been generally recognised. "You can see we have been quite busy behind the scenes, though we have kept a rather low public profile," he says.

However, opinion in the City is divided on how much faith to put in the management team headed by Mr Bill Nicol, who joined from Seeboard in 1987.

"I think this is one of the hardest companies to call," says one analyst. "You could say they were given a kick-start in the X negotiations, but I don't know how much credit to give them for that."

As one of the smaller companies, with relatively few shares to sell, South Western should achieve a firm performance on flotation as long as subscription by local customers turns out to be as enthusiastic as is expected.

The shares have been priced to give an initial gross dividend yield of 8.44 per cent, almost bang in the middle of the range for the 12. Longer term, that may be a difficult position from which to grab investors' attention.

Publication dates of previous profiles

Eastern	Oct 9
Seeboard	Oct 16
South Wales	Oct 23
Norweb	Oct 30
Southern	Nov 6
Manweb	Nov 13
Northern	Nov 16
London	Nov 20
Yorkshire	Nov 23
East Midlands	Nov 27
Midlands	Nov 29

This is the last of the 12 profiles of the regional electricity companies.

NEWS DIGEST

Porter Chadburn 11% ahead

PORTER CHADBURN, which has interests in consumer leisure products, packaging and distribution, improved pre-tax profits by 11 per cent from £3.33m to £3.68m for the six months to September 30.

Mr Raymond Dinkin, chairman and chief executive, said the results had been achieved in difficult trading conditions. Looking forward, he said the depressed state of the UK and US business environments, would inhibit the company's rate of growth.

An interim dividend of 0.8p (0.725p) has been declared, payable from reduced earnings per 5p share of 4.08p (4.38p).

Group turnover increased to £55.71m (£46.68m) and the taxable result was after higher interest charges of £774,000 (£434,000).

An extraordinary credit of £989,000 (£83,000 debit) represented profit on the sales of the engineering and plastics divisions less abortive acquisition expenses.

Jarvis Porter up 29% to top £1m

Jarvis Porter, the Leeds-based labels printer, lifted pre-tax profits by 28 per cent from £873,000 to £1.12m in the six months to August 31.

Margins were improved with operating profits ahead at £1.26m (£1.08m) on turnover down at £14.22m (£15.38m). The taxable figure was helped by lower net interest payable of £138,000 (£206,000). Earnings rose 1p to 4.5p and the interim dividend is held at 1.4p.

The company said that capital expenditure in the current year would amount to just over £3m. Its major customers continued to be brand leaders in the wine, spirits, food, toiletries and pharmaceutical industries and were better placed than most to weather the current economic climate.

Hunter Saphir rises 51% to £3.51m

An exceptional profit of £2.1m helped Hunter Saphir increase its taxable profits by 51 per cent from £2.32m to £3.51m in the 28 weeks to September 8 1990. The item represented insurance receipts in respect of assets destroyed in a fire at replacement value.

The blaze occurred at the British Pepper and Spice factory at Northampton in June 1989.

In the period under review, the food group, in which Berisford International has a 20 per cent stake, acquired Euroma Holdings, a Dutch herb and spice company.

Turnover in the half year totalled £101.08m (£72.93m), while operating profit nearly doubled to £6.14m (£3.32m).

Interest payable rose to £2.63m (£996,000) – partly because of a £10m bridging loan – and after estimated tax of £913,000 (£825,000) earnings per share were 9.47p (5.01p) basic and 8.42p (4.9p) fully diluted.

There was an extraordinary credit of £8.39m (£884,000 debit) arising from disposals, which included Northfleet and London Colney depots.

The interim dividend is maintained at 1.35p.

Sidlaw £5.25m buy expands packaging

Sidlaw Group ended the year to September 30 with taxable profits down 5 per cent from £7.1m to £6.73m, but Mr Digby Morrow, chief executive, said the performance had strengthened noticeably in the second half and prospects for 1991 were encouraging.

The company, which is involved in textiles, oil services and packaging, also announced the acquisition of MCG Venus Packaging, from Wassall, for £5.25m cash. Of this, £2.16m was for the ordinary shares, £1.54m for property and the balance in settlement for inter-company debt.

Sales in the period under review fell from £73.11m to £71.02m. Earnings per share came through at 15.6p (17.4p). The final dividend is being increased to 5p, making a total of 8p (7.7p).

Reduced profits at Osborne & Little

Reduced pre-tax profits of £518,000, compared with £730,000, were announced by Osborne & Little, the wallpaper and furnishing fabrics group, for the half year ended September 30.

Turnover improved from £6.47m to £9.16m, with overseas sales representing 65 per cent of the total.

Sir Peter Osborne, the chairman, said the depressed UK market was the prime cause for the decline in profits.

The interim dividend is maintained at 2p on lower earnings per share of 4.46p (6.57p).

Stocklake improves 11% to £2.81m

Stocklake Holdings, the distribution and stockholding group with interests in the UK, Canada, Africa and Eastern Europe, achieved an 11 per cent improvement in pre-tax profits in the six months to September 30.

On turnover ahead from £18m to £19.62m the taxable result rose from £2.53m to £2.81m. The company said that the recession already evident in the UK and many of its overseas markets had not as yet affected the group's businesses.

Earnings per share improved from 31.3p to 33.6p and an interim dividend of 9p (7.5p) is declared.

ABI Leisure's £5.9m in line with forecast

The maiden preliminary results from ABI Leisure Group, manufacturer of touring and static caravans, reveal an advance of 38 per cent in taxable profits to £5.9m in the year to August 31, on turnover up 13 per cent to £64.01m.

Mr George Shiels, chairman, said that in the touring caravan and leisure home operations substantial progress had been achieved in the UK and European markets. But the difficult trading conditions which affected the final months of the financial year continued to prevail.

Earnings improved from 11.6p to 15p after tax of £2.15m (£1.59m); a final dividend of 3.1p has been recommended, as indicated in the prospectus, representing an annualised dividend of 4.7p.

PJ Carroll back in black with I£5.3m

PJ Carroll & Co, the Irish tobacco manufacturing, aquaculture and direct marketing group, is back in the black with a pre-tax profit of I£5.31m (£4.84m) for the six months to September 30. This compares with a loss of I£2.26m for the corresponding period of the previous year and a loss of I£12.05m for the 18-month period to March 31 1990.

Earnings per share were 6.5p (losses 2.8p) after tax of I£451,000 (I£86,000 credit); but no interim dividend is being paid. Carroll paid 8.2p a share for the 18 months to March 31 passing the final payment.

26% advance for Morrison Constn

Morrison Construction, the privately-owned construction company which operates in Scotland and northern England, lifted pre-tax profits 26 per cent to £2.7m for the half year to September 30. Sales rose by 7 per cent to £86.4m.

In 1989 Mr Fraser Morrison, chairman, and his family acquired the outstanding 80 per cent of Morrison from Charter Consolidated, from which they also bought Shand Construction and Biggs Wall.

Dawson down to £17.32m and outlook uncertain

By Alice Rawsthorn

DAWSON INTERNATIONAL, the Scottish textile group which is struggling against intensely competitive trading conditions in the US and UK, yesterday announced a fall in pre-tax profits from £23.49m to £17.32m in the six months to September 30.

Mr Ronald Miller, chairman, described the state of the textile market as unprecedentedly difficult. He said Dawson had emerged from a tough first quarter into a slightly better second quarter and the outlook for the full year was still very uncertain.

The interim dividend is being maintained at 2.9p, despite a fall in earnings per share to 7p (9.7p).

Dawson, which is best known for its Pringle and Ballantyne luxury Scottish knitwear but makes half its sales from its interests in the US, was also adversely affected by the decline of the dollar against sterling.

Group turnover fell to £213.76m (£241.92m) and operating profits to £21.81m (£28.36m) in the first half because of declining demand in nearly every division. US turnover mustered a modest increase in real terms but the fall in the dollar erased £10.63m from overall turnover and £800,000 from pre-tax profits.

The weaker dollar did, however, help Dawson to reduce interest payable, given that most of its long term debt is in dollars. Interest accounted for £4.48m (£4.87m) and year-end gearing was expected to fall from 40 to 30 per cent.

In the UK, Dawson suffered from weak demand for knitwear and spinning. It was also hit by a combination of supply problems and falling demand in cashmere. In the US, it was affected by the fragile state of the highly leveraged retail sector and by production problems in its fleecewear companies.

● COMMENT

The stock market is now so inured to poor results from textile companies that this decline in Dawson's profits was scarcely a surprise. The shares, worth more than 200p a year ago, actually rallied by 2p to 133p yesterday. There is no real hope of recovery in the UK, for the foreseeable future at least, although Dawson has made some progress in its efforts to revitalise Pringle and Ballantyne. The picture in the US is more mixed. Capital expenditure has peaked, but the prospects for demand are as precarious as ever. In any event the declining dollar should knock another chunk off profits in the second half. All in all analysts are bracing themselves for another fall in profits to £31m for the full year leaving the shares to languish on a prospective p/e of 9½.

ICL slips into a kimono, but keeps its identity

Alan Cane on how the computer group will maintain its European links despite the Fujitsu takeover

INTERNATIONAL Computers (ICL), until now the UK's champion in the international computer manufacturing game, today becomes a Japanese company.

In contrast to the shock felt around the business world in July when it became known that Fujitsu, Japan's leading computer manufacturer, had agreed to pay STC of the UK £743m for an 80 per cent stake, today's conclusion of the shareholding transaction is likely to be a low key affair.

This is deliberately so. Mr Peter Bonfield, who remains chief executive and chairman, is anxious to emphasise that for ICL, "under new management" means for the most part "business as usual".

Senior executives insist that the company is not becoming simply a Fujitsu subsidiary. Management direction will not change, they say, and the company will continue to pursue its own business strategy independent of Tokyo.

ICL will:

● Raise working capital in Europe through its existing bank lines of credit rather than through Fujitsu and Japanese banks. "Japanese money is getting expensive", one senior manager pointed out "and there is no benefit in losing the discipline of working within European financial constraints"

● Raise cash for, and carry out, acquisitions under its own steam.

● Treat Fujitsu as a conventional trading partner, rather than an owner, where large transactions are concerned. Large transactions means those with a value of over £1m. ICL is already one of Fujitsu's largest customers, buying semiconductors and semiconductor assemblies worth over £100m a year. Fujitsu is planning to market ICL's high powered $6,000 mid-range system in Japan, a product area where the Japanese company is comparatively weak.

The new ICL's business strategies with particular relevance to Europe will include:

● A willingness to improve European technology by continued participation in precompetitive research and development programmes like Esprit, Eureka and Race. Initial disquiet in Brussels over a Japanese-owned ICL's qualification to take part in these programmes is thought to be moderating under the tide of red ink flooding across Europe's computer industry.

● A continuing committed to "open systems", computer designs which make it easy to interconnect software and hardware from different manufacturers. European manufacturers, with ICL in the vanguard, were the pioneers of the open systems movement.

● A purchasing policy which gives preference to European suppliers provided they meet ICL's quality requirements.

The nature of the relationship between ICL and its Japanese owner is complicated by Fujitsu's decision, announced in July this year, to float at least 25 per cent of ICL's equity on the London Stock Exchange within five years.

The move was planned to secure ICL's European credentials. Under UK company law, however, ICL will be obliged to operate at arm's length from Fujitsu to protect the rights of its minority shareholders.

There are still loose ends to be tied before the takeover is complete. Of the nine-strong main board, only Mr Bonfield is in place. Of the total, seven will be Fujitsu nominees. The remaining two should be nominated by STC, ICL's former parent, now the subject of a bid from the Canadian telecommunications company Northern Telecom.

Mr Bonfield's management team, however, remains the same as it was under STC's ownership and it is not expected to change. There are no plans for Japanese line managers in ICL offices and plants.

Superficially, therefore, there are few obvious differences to mark ICL's change of ownership. Certainly, over the next few months it is expected that ICL executives will be seconded to work in Japan and vice versa. But ICL emphasises that the purpose will be education rather than control.

Peter Bonfield: business as ususal under new management

Beneath the surface, however, ICL and Fujitsu are engaged in a momentous enterprise; the creation and nurture of a new kind of computer group - a "variable geometry company" - designed to compete in a world of information technology market that is changing at a rate unprecedented since the emergence of the modern computer industry.

The causes of the computer industry's trauma are the emergence of open systems, a trend to downsizing among customers – substituting small, inexpensive machines for large, costly computers of the same power – and increased competition. The result has been a profusion of red ink on the accounts of, among others, Data General of the US, Bull of France and Philips of Holland.

Fujitsu believes it is building a federated, global organisation which can cope with these trends. It already owns a substantial minority share of Amdahl, a US computer maker.

In Fujitsu's eyes, ICL is neither a subsidiary nor a division, but an autonomous company generating substantial profits and operating in areas – product-wise and geographical – where there is little overlap with the activities of its parent, but from which positive synergies should emerge.

ICL's chief marketing strength, for example, is in the UK and mainland Europe where it has built up expertise in retailing, government systems and computer services. It is no longer simply a manufacturer; it is well down the road to becoming a systems integrator with special expertise in open systems.

Systems integrators specialise in solving their customers' computing problems using the best available hardware and software for the purpose. With profit margins in computer manufacturing narrowing, systems integration is being seen by many computer companies as a major route to improved profitability.

It requires, however, a combination of high technical expertise, strong management skills and substantial financial reserves. Fujitsu is comparatively weak in these markets and like all Japanese computer makers, will find it difficult, if not impossible, to operate as a systems integrator in Europe.

ICL executives argue that the change of ownership will make little difference to the way the company is run in the short term. They will continue to report on a monthly basis just as they did with STC.

"The European company of the future", Mr Bonfield predicted recently "is likely to be closer to the ICL of 1990 than the ICL of 1980".

Polly Peck administrators settle differences with bank

By Raymond Hughes, Law Courts Correspondent

CREDIT DU NORD, part of the Paribas banking group, has settled its differences with the administrators of Polly Peck International on undisclosed terms.

In the High Court yesterday Mr Justice Morritt dismissed by consent the bank's claim for orders against the administrators relating to its potential exposure under two standby letters of credit issued at Polly Peck's request earlier this year. Each side will pay its own legal costs.

The letters of credit were directed to two suppliers of goods to Polly Peck or Vestel, its Turkish electronics subsidiary. The bank was concerned about its position with regard to goods delivered by those suppliers since the administration order was made on October 25.

Mr John Lindsay, QC, for Credit Du Nord, told the judge that a press report had suggested that the bank had criticised the administrators. That was not the case.

"The bank was simply taking what steps it could to clarify what its position is in the administration and what its potential exposure is.

"We are grateful for the steps taken by the administrators to reduce that exposure and are happy publicly to acknowledge the position," Mr Lindsay said.

When the hearing began on Wednesday Mr Lindsay had said that Polly Peck's business was being managed by the administrators in a manner that was unfairly prejudicial to the bank's interests.

The administrators, Mr Michael Jordan and Mr Richard Stone, of Coopers & Lybrand, Deloitte, and Mr Christopher Morris, of Touche Ross, would not tell the bank whether any payments it had made for post-administration deliveries would be treated as administration expenses and reimbursed, Mr Lindsay said.

Kembrey at £0.53m as it reorganises

Kembrey, electrical and electronic supplier, reported pre-tax profits of £530,000 for the six months to September 28, against £352,000.

Mr Bob Burns, chairman, said the results were achieved on turnover slightly lower at £9.5m (£9.61m) in a period which was traditionally slow for the group. Earnings per share came out at 1.2p (0.9p). The company hopes to be able to pay a dividend at the end of the year.

Kembrey The company reversed into the USM-quoted Coated Electrodes last year. Since then a number of loss-making businesses have been sold, borrowings have been reduced from £2.9m to £200,000 and listing has been obtained.

Mountview Estates

Pre-tax profits of Mountview Estates, the property dealing group, fell from a depressed £4.7m to £4m over the six months ended September 30.

The directors blamed market conditions for the setback. Turnover was little changed at £7.12m (£7.17m). Earnings fell by 9.8p to 56.8p but the interim dividend is lifted 2p to 6p.

Penny & Giles

Penny & Giles International, a specialist in measuring instruments, reported taxable profits up 6 per cent from £1.18m to £1.25m for the six months to September 30.

Sales totalled £15.93m (£14.3m). Earnings were 8.52p (8.28p) and the interim dividend is raised to 1.45p (1.25p).

Near-record incomes are forecast for US farms

By Nancy Dunne in Washington

DESPITE huge production increases in grains and a probable worldwide economic slowdown, US Department of Agriculture economists this week issued a series of upbeat forecasts for the US farm sector.

The USDA's Annual Outlook Conference produced predictions of near record incomes for American farmers next year, higher price receipts for some commodities and higher production costs reflecting the increased cost of oil.

US cash farm income is expected to be between $55bn and $60bn, compared with this year's record high of $59bn. The forecast is based on optimistic assumptions of dampened inflation, global real economic growth of around 2 per cent, and an agreement in the Uruguay Round of the General Agreement on Tariffs and Trade on farm trade reforms to open up world markets.

Mr R.E. Anderson, Jr, Administrator of USDA's Foreign Agriculture Service, dealt forthrightly with the negatives: this year's record world wheat crop, which this week sent futures prices to 13-year lows; the estimated 20m tonne increase in world coarse grain production; and falling imports by the Soviet Union, China and Iraq.

Grains this year comprised about 40 per cent of total US export value, and the short-term outlook is not encouraging. The volume of American wheat shipments may drop by around 2 per cent in 1991, after a sharp decline this year. Even worse, the value of American wheat and flour exports could plummet by one-quarter. Coarse grain exports, mostly maize, are expected to drop by $1bn from 1990's $8bn.

Overall, US farm exports could drop by about 4 per cent, or $1.6bn, from fiscal 1990's $40.1bn. Volume could drop by 6 per cent to 139.5m tonnes.

While 1991 is not promising for bulk commodity trade, the export picture is a bright one for a broad range of US food exports, including fruits, vegetables, nuts, meats, breakfast cereals and baked goods.

On the plus side are the growth markets, particularly Asia, which now absorbs over 40 per cent of total US farm exports.

US exports of livestock, dairy and poultry are expected to hit a record $6.9bn next year. Japan has become a $1bn market for US beef, and it is likely to grow after April with the total phase-out of the beef quota. Horticulture exports are expected to set new highs, rising to a record 5m tonnes, fuelled by Asian demand for citrus and nuts.

An even brighter future awaits the US forest products sector. Housing construction in Korea and Taiwan is propelling demand. Japan, which takes nearly half of US forest product exports, is a growing market for logs, wood chips and value-added wood products.

Still, there are unknowns which could easily blight the trade picture: the Gulf crisis; the future of the Soviet Union and eastern Europe; larger than expected Southern Hemisphere grain and oilseed crops; trade friction; and a collapse of the Uruguay Round.

Dried date price forced up by Gulf sanctions

By David Blackwell

DRIED DATES have been rising in price since the economic sanctions against Iraq following the invasion of Kuwait.

Iraq is the world's leading exporter of dates, at about 250,000 tonnes, according to Mr Tim Davies of Coley and Harper Commodities, the UK dried fruit and nut trader. Prices at the start of this season in August were $900 a tonne or less, but have now reached $1,250 a tonne for medium-good average quality dates – if they can be found.

The two other main suppliers to the world market – Pakistan and Iran – are sold out already, says Mr Davies. Iran has not had a good crop this year.

The physical squeeze on consumers is likely to hit the UK in the middle of the first quarter next year. By the end of March, there will be no dates to be had, he predicts.

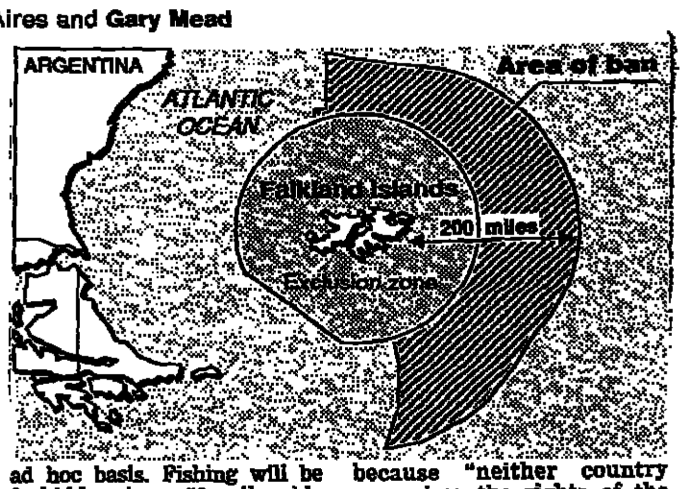
"I think that prices are going to reach $1,500 to $1,600 a tonne, if you can find them at all," says Mr Davies, who is expecting defaults on some contracts. Western countries are less than 50 per cent covered for their 1990-91 requirements, he believes, and Muslim countries are unlikely to be able to cover their requirements for Ramadan next April.

"With such a vast proportion of the world supply being unavailable this season, prices will surely go substantially higher and it is extremely unlikely that there will be sufficient dates to meet world demand until new crops come in in October-November 1991," Coley and Harper has warned its customers.

Iraq is not a supplier of fresh dates, for which the UK market is very small. The bulk come from California, North Africa and Israel.

Curb on Falklands fishing agreed

By John Barham in Buenos Aires and Gary Mead



BRITAIN and Argentina are to impose a temporary ban on all fishing in the disputed waters bordering the Falkland Islands conservation zone to prevent depletion of stocks in what is the world's last great unregulated fishing zone.

The ban, which comes into effect on December 26, is the key feature of a fisheries accord reached in Madrid last Saturday, but only made public on Wednesday evening. The deal follows two rounds of talks between Argentine and British diplomats, in Brazil in September and in Spain in November.

The accords are the most significant advance in relations between Britain and Argentina since the resumption in July of full diplomatic relations, which were broken off during the 1982 Falklands War.

The dispute over the Falkland Islands remains a highly sensitive issue in Argentina. The statement describing the fisheries accord opens by stating that neither side recognises the other's claim over the islands, and stresses that co-operation will proceed on an ad hoc basis. Fishing will be forbidden in a 50 mile-wide semicircle surrounding the eastern half of an existing 150 mile-wide conservation zone Britain threw around the islands in 1986. The new zone covers part of the region's richest fishing areas.

The statement said simply that "both governments have agreed to co-operate on how to enforce the ban." Mr Domingo Cavallo, foreign minister, said Britain and Argentina would enforce the ban separately because "neither country recognises the rights of the other over the islands."

The ban is intended to conserve the Illex squid, valued by Asian nations. Argentine officials claim that vessels operating with fishing licences issued by the Falkland Islands government account for 80 per cent of the 500,000 tonnes of Illex caught annually. The Falkland Islands government is largely dependent on its revenues from licences granted to foreign fishing fleets.

The two sides have agreed to set up a joint UK-Argentine South Atlantic Fisheries Commission, which will meet at least twice a year. The SAFC will "exchange information on fishing activity between [latitude] 45 degree South and [latitude] 60 degree South, and make recommendations relating to conservation." In addition officials from both governments will meet annually to review the duration of the ban.

Extension of the conservation zone to 200 miles (from the Falklands' coastline) has long been a demand of the Falkland Islands government in order to help conserve its main source of revenue.

It earns about £30m a year from the sale of licences to foreign fleets, predominantly from the Far East, east Europe and Mediterranean nations, which hotly compete for rapidly diminishing stocks of the Illex squid.

While firm scientific evidence is scanty, there are fears that the stock of Illex may be extinguished within a few years, due to the "hoovering" techniques of trawlers.

Finns expect Soviet oil supply cut

By Enrique Tessieri in Helsinki

NESTE, the Finnish state-owned oil and chemicals group, expects Soviet oil imports to Finland to drop even further this year, to about 6m tonnes.

"We have already received around 5.5m tonnes of oil from the Soviet Union. It may well be that Soviet oil imports [to Finland] may drop a bit below or end up slightly above 6m tonnes for 1990," explained Neste. The Soviets blamed "technical problems" for the fall in oil exports to Finland.

About six weeks ago analysts close to the Finnish oil sector estimated that oil imports from the Soviet Union would drop from 7.5m tonnes to possibly 6.6m tonnes.

Both countries had previously agreed in this year's trade protocols that the Soviet Union would supply Finland with a total of 11m tonnes of oil. Of this amount, Neste was to receive 8.5m tonnes while Suomen Petrooli, a Finnish-based Soviet subsidiary of Soyuzneftexport, was to receive the remaining 2.5m tonnes.

In September, however, Moscow announced that it would cut all of its 2.5m tonnes of oil exports earmarked to SP. The following month the it announced further cuts of 1m tonnes of oil exports to Neste.

In 1989, Finland imported about 94 per cent of its oil and all of its gas imports from the Soviet Union.

Meanwhile, Neste recently signed an agreement with Soyuzgasexport, the Soviet gas company, to increase gas imports to Finland from 2.56bn cubic metres in 1990 to between 2.6bn and 2.8bn cu m in 1991.

Neste's gas division expects Soviet gas exports to Finland to rise even further in 1995 to between 3.9bn and 4.2bn cu m.

Warning on Soviet oil and mining prospects

By Kenneth Gooding, Mining Correspondent

WESTERN oil and mining companies have been presented with their greatest opportunity this century by the opening of the Soviet Union to foreign investment, according to Mr Roy Bichan, chairman of the Robertson Group, a UK consultancy organisation.

However, because there is only a limited amount of money available for world resource development, "the sheer size and attractiveness of Soviet prospects will undoubtedly have a negative effect on the level of resource exploration and development elsewhere in the world," he points out in a paper prepared for a seminar in London today organised by the Institutional Investor magazine. Robertson recently signed an agreement with Vnizarbuzhgeologia, a department of the Soviet Ministry of Geology, to sell technical data on 120 available mineral deposits, covering a wide range of minerals in the Soviet Union.

Mr Bichan says while oil companies have taken the lead in setting up joint ventures in the Soviet Union, western mining companies have shown an understandable reluctance.

There are some fundamental problems to be overcome, he suggests, the most important being the crucial question of who owns the minerals in the ground.

"Theoretically these are vested in the State. Practically they are controlled by the local authority in which they are located. Increasingly it is evident that the 15 Republics will be the owners and therefore the people to deal with in concluding joint ventures."

Mr Bichan warns: "The continued policy disputes between the Republics and the central government in Moscow are likely to jeopardise western efforts to negotiate joint ventures for oil, gas and mineral exploration. The only examples of specific opportunities being made available to oil companies are where there has been agreement between Moscow and the Republics."

He says companies attempting to negotiate joint ventures should remember that the Soviet authorities have little experience in dealing with western businessmen; they need to emphasise that any joint venture should aim eventually to make a profit; they should also remember that Soviet law is "flexible and changeable", and that negotiations might be protracted. "It took McDonalds 14 years finally to conclude its joint venture."

Mr Bichan suggests that the impact of western investment in Soviet mineral resources will not be felt in terms of increased exports until the last half of the 1990s – except for gold and diamonds, which already are being used as collateral for loans and to pay for imports of grain.

Brazil hopes to resume beef exports to the US

By Victoria Griffith in Sao Paulo

BRAZIL WILL begin exporting beef to the US once again in January, according to Antonio Cabrera, the country's agriculture minister.

The US suspended beef imports from Brazil in June, alleging that the Latin American country had inadequate facilities to test the presence of harmful products such as ammonia, metals and medicines in the meat.

The Brazilian government now says that it has restructured its official laboratories over the last five months to meet the demands of the European Community and the US.

Representatives from the US Department of Agriculture are scheduled to visit Brazil in March and the agriculture ministry is predicting that a new inspection of the laboratories will lead to the elimination of trade restrictions on Brazilian beef.

The European Community had also issued a warning to Brazil regarding testing inadequacies, but did not impose any trade barriers on Brazilian beef. The EC will be sending its own inspectors over in May to assess the situation.

Sheep cargo was partly diseased

SOME OF a cargo of live sheep rejected by Saudi Arabia were diseased, the Australian Meat and Livestock Corporation admitted yesterday, writes Kevin Brown in Sydney.

Mr Dick Austen, chairman, said some of the 85,000 rejected sheep had scabby mouth. This was in spite of efforts to protect the trade through stringent health guidelines imposed in June in an attempt to reassure the Saudis that they could rely on the health of Australian sheep, after several earlier cargoes were rejected.

The live sheep trade was worth around A$250m a year to Australian producers before it was disrupted in 1989.

Higher Moscow gold sales 'need not cause price fall'

By Kenneth Gooding, Mining Correspondent

SOVIET UNION gold sales to the West could be boosted by between 30 per cent and 40 per cent by 1995 and by 60 per cent by the year 2,010 without causing any significant deterioration in the gold price.

That was the conclusion of a report on the gold market prepared for the Soviet Institute for Foreign Economic Relations of the Soviet Council of Ministers, according to one of the authors, Ms Natalya Zubareva.

Ms Zubareva, senior researcher at the Institute, speaking at the Western Gold Show, sponsored by the Mining Journal, in San Francisco, admitted, however, that any abrupt change in Soviet gold supplies to the west would destabilise the market.

The Institute had calculated that a sudden 50 per cent jump in Soviet gold sales would be inefficient. Ms Zubareva said: "In simple terms, for a 2 per cent increase in gold sales, our foreign currency earnings would only rise by 1 per cent."

Ms Zubareva, who emphasised that she was giving a personal, not official, view, said the Institute based its opinions on an assumption that gold production in the west would fall in the next few years. Output in the second half of the 1990s was expected to stabilise in North America and fall in Australia and South Africa. Compensation would come from production in Latin American and Asia as well as the Soviet Union.

Giving some details of numbers employed and investment in the Soviet precious metals industry, Ms Zubareva suggested that her country was unlikely to open up its traditional gold mining industry to joint ventures with foreign companies. However, there were some gold deposits with high arsenic content which would need extra investment if required environmental standards were to be met and these might well be the subject of joint ventures.

The Soviet Union also had accumulated huge volumes of tailings (waste dumps) at its gold mines still containing substantial amounts of the precious metal.

Glavalmazzoloto, the organisation responsible for precious metals and diamonds, "has already received a package of proposals from US, Australian and other foreign firms about establishing joint ventures to work these tailings, either through heap leaching or by means of conventional enrichment," she revealed. These proposals were being evaluated "on a competitive basis".

According to Ms Zubareva, although the Soviet Ministry of Geology, which was responsible for all natural resource development (including gold mining), received 8bn roubles a year from the state, Glavalmazzoloto, set up in 1988, was expected to be self-financing. Geological organisations within Glavalmazzoloto spent about 160m roubles a year, she said.

WORLD COMMODITIES PRICES

MARKET REPORT

LEAD PRICES rallied strongly on the London Metal Exchange yesterday as good trade buying prompted shortcovering purchases. The cash price closed £12 up at £340 a tonne while the three months position gained £10.25 at £344.50. Dealers said the market had become oversold as the cash price fell £15.50 in the previous three days. Copper prices also recouped some of their earlier losses with cash metal rising £19.50 to £1,263.50 a tonne and the three months position up £16.50 at £1,279.50 a tonne. The explanation was again the unwinding of an oversold situation, following falls of £26 on Tuesday and £34 on Wednesday in the cash position. Prospects of last night's UN Security Council authorising military action against Iraq buoyed the gold market, with the London bullion market price closing $1.50 up at $386.50 a tonne. Prices at the Baltic International Freight Futures Market were boosted by the lack of ships able to make the US Gulf by December 15 and expectations that the Soviet Union could enter the market after loan offers from Gulf states. The December position ended 16 points up at 1,365 while the underlying index rose 11 points to 1,340.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$28.60-8.75v	+0.70
Brent Blend (dated)	$34.80-4.90	+0.75
Brent Blend (January)	$33.10-3.20	+.775
W.T.I. (1 pm est)	$33.58-3.60v	+1.01
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$306-10	+5.5
Gas Oil	$329-331	+12
Heavy Fuel Oil	$138-40	+1
Naphtha	$299-305	-9½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$386.5	+1.5
Silver (per troy oz)♣	413c	+3.0
Platinum (per troy oz)	$431.40	+1.20
Palladium (per troy oz)	$93.75	+0.25
Aluminium (free market)	$1520	-15
Copper (US Producer)	117c	-1.0
Lead (US Producer)	50c	
Nickel (free market)	380c	-4
Tin (Kuala Lumpur market)	15.56r	+0.10
Tin (New York)	278c	+3.0
Zinc (US Prime Western)	70c	
Cattle (live weight)†	107.45p	+1.39*
Sheep (dead weight)†	141.44p	+0.28*
Pigs (live weight)†	74.02p	+4.38*
London daily sugar (raw)	$258.0w	+1.0
London daily sugar (white)	$310.0w	
Tate and Lyle export price	£240.0	
Barley (English feed)	£118u	
Maize (US No. 3 yellow)	£163.50	
Wheat (US Dark Northern)	£81u	
Rubber (Jan)♥	51.00p	+0.25
Rubber (Feb)♥	51.25p	+0.25
Rubber (KL RSS No 1 Dec)	242.5m	
Coconut oil (Philippines)§	$360.0z	-10.0
Palm Oil (Malaysian)§	$337.5	-7.5
Copra (Philippines)§	$250	
Soyabeans (US)	£135.5	-2.0
Cotton "A" Index	82.75c	
Wooltops (64s Super)	408p	+4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Dec/Jan z-Jan/Feb. x-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	221.60	223.40	223.80	221.40
May	222.80	224.20	224.20	222.80
Aug	225.60	227.20	226.00	
Oct	225.00	226.40	226.40	226.00
Mar	226.00	230.00	227.00	
White	Close	Previous	High/Low	
Mar	305.0	303.5	305.0	304.0
May	304.5	303.4	305.0	303.5
Aug	310.0	308.0	310.2	308.7
Oct	292.5	290.5	293.0	292.0
Dec	289.5	287.0	289.0	286.7
Mar	290.5	288.5	291.5	288.2
May	292.5	290.0	291.0	289.7

Turnover: Raw871 (894) lots of 50 tonnes. White 1045 (420)
Paris- White (FFr per tonne): Mar 1551, May 1554, Aug 1569, Oct 1468.

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Jan	32.90	32.98	33.25	32.80
Feb	31.50	31.56	31.80	31.40
Mar	30.25	30.17	30.30	30.15
Apr	29.10	28.51	29.10	29.10
IPE Index	32.40	33.15	33.15	32.40

Turnover: 21780 (24740)

GAS OIL – IPE			$/tonne	
	Latest	Previous	High/Low	
Dec	311.50	300.50	312.00	306.00
Jan	295.00	288.75	295.50	291.50
Feb	276.75	270.75	278.00	274.75
Mar	258.00	253.50	261.00	254.00
Apr	243.00	238.25	246.00	241.00
May	240.00	237.00	240.00	240.00
Jul	234.50	229.50	235.00	234.00

Turnover 11916 (10000) lots of 100 tonnes

FRUIT AND VEGTABLES
Homegrown and dessert apples remain a best buy with plenty of varieties to choose from - English Cox's at 35-60p a lb (35-60p). French Golden Delicious at 40-50p a lb (45-60) and British Columbia Red Delicious at 45-60p a lb (45-60p). Pick of the week are mushrooms - button varieties at 75p-£1.10 a ½lb (75p-£1.10), open and flat varieties at 60-70p a ½ lb (60-70p) and cup mushrooms at 70-90p a ½ lb (70-90p). Winter root vegetables are all superb value with carrots at 20-30p a lb (20-30p). Cucumbers at 30-45p each (45-65p) have dropped in price due to increased imports from Spain and Canary Islands.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	677	679	680	672
Mar	728	735	734	725
May	756	761	760	753
Jul	780	782	782	775
Sep	798	801	800	794
Dec	819	825	821	816
Mar	839	846	842	836

Turnover: 19191 (12040) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 28 975.35 (975.85) 10 day average for Nov 29 984.11 (975.01)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	612	614	617	603
Jan	625	630	632	615
Mar	584	584	590	575
May	586	585	590	580
Jul	597	595	595	590
Sep	610	611	610	608
Nov	627		625	

Turnover:5476 (5441) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 28: Comp. daily 71.31 (71.63). 15 day average 69.78 (69.70)

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Apr	138.5	141.8	140.0	137.8
May	157.0	160.0	157.0	

Turnover 147 (99) lots of 40 tonnes.

SOYAMEAL – HI-PRO			£/tonne
	Close	Previous	High/Low
Apr	116.50	116.50	116.50
Jun	117.00	117.50	117.00

Turnover 50 (100) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Dec	1365	1349	1365	1348
Jan	1345	1332	1350	1330
Apr	1275	1265	1280	1270
Jul	1035	1040	1035	1035
Oct	1150		1145	1145
BFI	1340	1329	1340	1340

Turnover 465 (277)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Jan	120.15	119.95	120.10	120.00
Mar	123.60	123.50	123.60	123.50
May	126.90	126.85	126.90	126.85
Jun	128.40		128.40	128.35
Sep	108.50		108.50	
Barley	Close	Previous	High/Low	
Jan	116.90		116.75	116.70
Mar	120.35	120.15	120.25	
May	121.30		121.25	

Turnover: Wheat 242 (93), Barley 25 (10).
Turnover lots of 100 tonnes.

PIGS – BFE			(Cash Settlement) p/kg
	Close	Previous	High/Low
Jan	88.0	87.5	87.5
Feb	89.5	89.0	89.0
Mar	93.0		92.0

Turnover 12 (18) lots of 3,250 kg

LONDON METAL EXCHANGE		(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 15,534 lots
Cash	1524-6	1525-7	1520/1519	1519-20		
3 months	1558-60	1560-1	1562/1555	1554-5	1560-1	69,374 lots
Copper, Grade A (£ per tonne)						Total daily turnover 17,418 lots
Cash	1263-4	1243-5	1265/1256	1255-6		
3 months	1279-80	1262-4	1283/1273	1275-6	1283-4	108,967 lots
Lead (£ per tonne)						Total daily turnover 1,708 lots
Cash	339-41	327-9	331	331-2		
3 months	344-5	333.5-5	345/335	335.5-6	341-3	11,184 lots
Nickel ($ per tonne)						Total daily turnover 1,391 lots
Cash	8200-50	8150-200		8180-90		
3 months	8000-10	7925-50	8025/7900	7940-50	8000-25	7751 lots
Tin ($ per tonne)						Total daily turnover 1,844 lots
Cash	5995-6000	5940-50		6010-20		
3 months	5998-6000	5945-55	6010/5970	6010-20	5975-80	9,671 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,697 lots
Cash	1250-3	1252-3	1262/1261	1261-2		
3 months	1237-8	1243-4	1245/1228	1238-40	1227-8	19,998 lots

LME Closing £/$ rate:
SPOT: 1.9585 3 months: 1.9325 6 months: 1.9160 9 months: 1.8981

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	386¼-386¾	197¼-197¾
Opening	384½-385	195½-196
Morning fix	384.25	195.77
Afternoon fix	386.80	196.675
Day's high	387-387½	
Day's low	384¼-384¾	

Coins	$ price	£ equivalent
Mapleleaf	392-401	202-205
Britannia	392-401	202-205
US Eagle	392-401	202-205
Angel	392-401	202-205
Krugerrand	385-388	196½-198½
New Sov.	90¾-92¾	44¼-47¾
Old Sov.	90¾-92¾	44¼-47¼
Noble Plat	436.55-443.50	221.95-225.50

Silver fix	p/fine oz	US cts equiv
Spot	210.00	413.10
3 months	216.90	421.45
6 months	223.40	429.80
12 months	236.05	446.80

TRADED OPTIONS				
Coffee	Jan	Mar	Jan	Mar
600	40	25	15	41
650	16	11	41	77
700	5		81	
Cocoa	Mar	May	Mar	May
700	61	86	33	30
750	37	59	59	53
800	23	40	95	84

Brent Crude	Jan	Feb	Jan	Feb
3300		280		
3350	185		220	
3400				

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Dec	388.9	385.7	390.2	385.1
Jan	390.6	387.4	0	0
Feb	391.7	388.6	393.3	391.3
Apr	395.2	391.9	396.5	391.5
Jun	398.8	395.4	399.5	395.5
Aug	402.0	398.6	398.8	398.8
Oct	405.4	402.0	0	0
Dec	408.9	405.4	410.0	405.4
Feb	412.5	408.9	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Dec	424.9	424.5	0	0
Jan	427.9	427.5	430.5	426.5
Apr	432.5	431.5	433.8	431.7
Jul	436.7	435.5	437.5	435.0
Oct	441.0	439.5	439.3	439.3
Jan	446.0	444.5	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Dec	408.5	412.5	414.0	408.5
Jan	410.5	414.5	413.0	413.0
Mar	418.2	421.4	423.0	416.5
May	424.3	427.5	428.5	423.5
Jul	430.2	433.4	434.0	428.0
Sep	436.1	439.3	440.8	437.0
Dec	444.4	447.6	449.0	444.0
Jan	446.8	449.8	0	0
Mar	453.2	456.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	111.20	112.25	113.00	111.00
Jan	109.90	111.15	111.30	110.00
Mar	107.35	108.50	108.80	107.30
Apr	106.70	107.90	107.90	107.90
May	106.00	107.25	107.20	106.20
Jun	105.50	106.95	106.50	106.50
Jul	105.00	106.20	105.80	105.40
Aug	104.40	106.20	0	0
Sep	103.80	105.30	104.50	104.20
Oct	103.20	105.05	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	33.60	33.28	33.75	33.05
Feb	32.70	32.36	32.80	32.10
Mar	31.40	31.13	31.48	31.00
Apr	30.15	29.86	30.25	29.85
May	29.01	28.83	29.10	28.80
Jul	27.55	27.29	27.55	27.15
Aug	27.00	26.78	27.00	26.60
Oct	26.20	25.97	26.06	25.70

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	9460	9271	9510	9340
Mar	8565	8460	8605	8460
May	7690	7615	7690	7615
Jul	7350	7300	7360	7300
Aug	7375	7325	7400	7375
Sep	7460	7425	7460	7410

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	1252	1284	1275	1243
Mar	1292	1326	1325	1281
May	1332	1362	1355	1323
Jul	1368	1395	1390	1367
Sep	1398	1425	1408	1408
Dec	1432	1465	1449	1439
Mar	1467	1500	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	86.30	84.80	86.75	84.30
Mar	88.50	87.80	89.75	87.60
May	90.80	89.95	91.90	90.05
Jul	92.90	92.15	93.75	92.20
Sep	95.00	94.25	96.00	94.90
Dec	97.80	97.30	98.50	96.50
Mar	97.95	99.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	9.97	9.98	10.03	9.96
May	9.96	10.02	10.07	9.98
Jul	9.98	10.04	10.07	9.98
Oct	10.00	10.03	10.08	10.00
Mar	10.06	10.12	10.06	10.05

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	75.20	75.50	75.60	75.05
Mar	73.18	73.91	73.90	73.08
May	73.19	73.67	73.70	73.10
Jul	73.22	73.67	73.78	73.22
Oct	67.75	67.73	67.90	67.80
Dec	65.25	65.30	65.40	65.25
Mar	66.01	66.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	107.25	108.40	109.75	106.60
Mar	109.25	110.30	111.70	109.00
May	110.50	111.55	113.00	110.50
Jul	110.25	112.50	110.25	110.25
Sep	110.25	112.50	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov 29	Nov 28	mnth ago	yr ago
	1703.8	1699.7	1725.7	1825.8
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov 28	Nov 27	mnth ago	yr ago
Spot	123.17	123.46	125.03	129.22
Futures	124.83	124.71	127.88	130.65

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jan	594/6	586/4	596/0	580/6
Mar	608/4	600/6	610/4	595/0
May	621/0	613/0	621/4	608/0
Jul	632/6	624/4	634/0	619/2
Aug	634/2	626/6	634/4	621/0
Sep	621/4	616/0	624/0	612/2
Nov	618/6	612/2	621/0	609/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	21.39	21.35	21.40	21.02
Jan	21.69	21.61	21.70	21.26
Mar	22.02	21.93	22.04	21.61
May	22.34	22.25	22.35	21.93
Jul	22.58	22.48	22.59	22.20
Aug	22.60	22.40	22.60	22.23
Sep	22.60	22.45	22.50	22.22
Oct	22.50	22.52	22.60	22.25

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	172.7	170.2	173.4	169.2
Jan	176.1	173.2	176.5	172.1
Mar	180.8	177.6	181.0	176.8
May	183.5	180.8	183.8	179.9
Jul	186.3	183.9	187.0	183.0
Aug	187.5	185.0	188.0	184.0
Sep	186.0	184.7	186.0	183.0
Oct	185.0	182.7	185.0	182.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	225/0	220/4	227/0	218/2
Mar	237/0	233/0	238/2	230/2
May	244/4	241/2	245/4	238/4
Jul	250/0	247/4	251/2	244/0
Sep	249/0	247/4	251/0	245/2
Dec	250/6	248/4	251/4	245/2
Mar	258/2	255/0	256/4	252/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	239/0	242/6	243/0	236/0
Mar	258/0	260/2	262/0	256/0
May	266/4	269/4	271/0	264/4
Jul	274/4	276/6	276/4	271/6
Sep	279/4	282/2	282/0	278/4
Dec	293/4	293/2	294/4	290/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	79.12	78.75	79.17	78.55
Feb	75.90	75.67	76.00	75.25
Apr	76.20	75.75	76.25	75.47
Jun	74.02	73.52	74.05	73.52
Aug	72.35	72.05	72.40	72.05
Oct	72.40	72.05	72.50	72.05
Dec	73.20	72.65	73.20	72.70

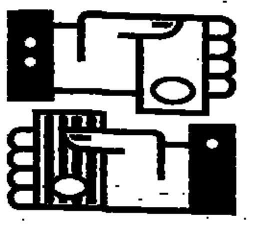
LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	50.52	51.32	51.17	50.02
Feb	48.10	49.30	49.42	47.80
Apr	45.55	46.52	46.40	45.27
Jun	49.65	50.62	50.62	49.38
Jul	50.15	50.96	50.82	49.80
Aug	48.05	49.90	49.90	48.82
Oct	44.05	44.60	44.70	44.05

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	66.40	68.15	67.90	[illegible]
Mar	66.10	67.67	67.30	[illegible]
May	66.27	67.80	67.30	[illegible]
Jul	65.95	67.20	67.50	[illegible]
Aug	63.05	64.80	64.50	[illegible]

FINANCIAL TIMES SURVEY

ACCOUNTANCY: THE CHALLENGE OF EUROPE

Friday November 30 1990



Europe needs to develop more sophisticated accounting services (where the UK's numbers give it a commanding lead). But will growth opportunities on the continent be stifled by over-zealous regulation from Brussels? **David Waller** reports

Potential of the continent

THERE WILL always be arguments as to whether the UK has too many accountants. By contrast, continental Europe is incontestably short of accountants: for example, there are, in the whole of Germany, only 6,000 chartered accountants (or their equivalents) compared with more than 90,000 such accountants in the UK.

Britain is truly a nation of accountants: the total, including certified and management accountants, is around 180,000, swelled every year by thousands of enthusiastic, if unimaginative, graduate recruits. The Fédération des Experts Comptables (FEE), which represents all Europe's professional bodies, calculates that there are only 120,000 accountants in the whole of the rest of Europe.

Things are changing, however. The rash of mergers between the international firms has led to turmoil in many European countries, helping to make accountancy acquire the same aura of excitement that it has in the UK. The demand for sophisticated accountancy and consultancy services is growing with the restructuring of European industry ahead of 1992. Young people are beginning to see the attractions of one of the world's most portable qualifications.

"*Accountancy has become a* serious business on the continent," observes Mr Karel Van Hulle, an official at the European Commission who teaches accounting at a nearby university when he is not overseeing the development of European accounting standards. "We will need a lot more good accountants in each member state. We are beginning to get them: every year I get more students attending my course."

As ever in matters European, the UK profession and those of the continent have a symbiotic relationship with one another. Clearly, the UK has the supply of people and knowledge for which there is a growing demand on the continent. But cultural tensions are high and the continental accountants are not always willing to learn from what the UK has to offer. Superfluous UK accountants cannot decamp across the channel and set up shop: it is not as simple as that.

In the UK the profession has been established for a century and more. There is ferocious competition between the firms. Despite this, the bigger firms managed to grow at between 20 and 40 per cent a year throughout most of the 1980s, mainly through providing consultancy and other value-added advisory work in addition to the staple audit service.

How much greater the potential must be in those continental European countries where there is no long-established profession, where competition is negligible and where the markets for consultancy and other value-added services are ill-developed. Added to that, the economic outlook for many of those countries is better than for the UK.

As a basic measure of the growth opportunities, some 15 per cent of all quoted companies in continental Europe are not audited by the Big Six – compared to just 2 per cent in the mature US market. This ignores Europe's myriad privately-owned businesses, the *Mittelstand* in Germany, the *petites et moyennes entreprises* in France, which account for a much larger share of the economies of continental Europe than of *the UK or the US. Increasingly* international in outlook, these owner-managed businesses will be the target of the firms' future marketing endeavours.

Over recent years, the profession has grown rapidly in Spain, Italy and France, for instance, and growth looks set to continue in the run-up to 1992 and beyond. The unification of Germany will place great demands on the small but highly expert profession there. Firms have been quick to establish offices in the former eastern bloc, where there is an urgent need for accounting technicians as the countries move towards the market economy.

If there are opportunities, there are also problems. There is no single market in accountancy services; there is far from being a single accountancy profession; and the firms face big management problems when they set up across borders. Moreover, the rules and philosophy of accounting vary enormously from country to country, with the Anglo-American "laissez-faire" approach at one extreme and the Germanic tax-driven approach at the other.

The Commission is of course committed to the liberalisation of the markets for the accountancy and auditing profession, as it is for other types of industries: the problem is that it has given up trying to harmonise individual professions in favour of a mutual recognition approach. It found that it took 17 years to put together a directive for architects. Rather than go through that again for accountants, lawyers, librarians, and so forth, it instead promoted the Mutual Recognition of Qualifications Directive, which applies to all professions.

The essence of this directive, which ought to be adopted by member states by the first week of next year, is that a qualification earned in one country must be recognised in another. A British chartered or certified accountant should be able to move to Germany, take some exams to prove proficiency in German language and law, and set up shop thereafter as a *Wirtschaftsprufer* – and vice versa.

Unfortunately, this approach enshrines the anti-competitive practices to be found in each national market and does nothing to bring the profession up to a common standard across Europe. Thus, in many countries, accountants are not allowed to advertise their services, nor to do the sort of taxation and insolvency work which is the meat and drink of the UK profession. Divisions between auditors and bookkeepers are prevalent in several countries and these will remain.

The Commission's Eighth Company Law Directive has brought a measure of uniformity to audit regulations across the community, but it still leaves member states to impose extra legislation if they see fit. The UK has gone further than the directive, requiring the professional bodies to monitor auditors in a way which may prove inconvenient to firms and professional bodies alike.

More worrying, perhaps, are the provisions of the draft Fifth Directive. Jumbled up with social legislation – on worker representation in the boardroom and so forth – are proposals that auditors should put themselves up for re-election every six years and take a break every 12 years.

Though the directive has yet to be implemented, some countries have taken more extreme measures off their own bat. In Italy, for example, stringent regulations require the rotation of auditors every nine years and forbid firms from offering the range of services they provide elsewhere. This makes it very difficult for international firms to do business there. Spain has recently introduced similar measures, and the firms are worried that such regulations will become more widespread across Europe.

It is normal to describe the international accountancy organisations as "firms," but this label inadequately describes what they are, in Europe at least. The French have a better word to describe them – *réseau*, meaning network. With literally one or two exceptions, namely Arthur Andersen and Price Waterhouse, the firms are networks of national practices, bound together with varying degrees of cohesion.

The rationale behind the mega-mergers of 1989 was to provide a better service to the multinational client, but the fall-out from those mergers has revealed just how fragile are the bonds holding the networks together.

Throughout Europe, there has been a frenzy of merger activity as national firms have unscrambled old alliances and forged new ties. Much of the *splintering was a direct result* of the decision of Deloitte, Haskins & Sells' UK practice to defect from a proposed international merger with Touche Ross to join Coopers & Lybrand instead. This prompted other parts of the Deloitte network to duck out of the international merger with Touche Ross.

In some ways, continental Europe is at the point reached by the UK in the 1950s and 1960s, the decades when the UK's national accountancy practices came into being via the merger of what had been strong regional firms. In Europe today, the strong national firms are coming together – although by and large what they have created are not yet truly European firms. Medium-sized and smaller firms are also forging alliances with one another, recognising that if their clients are thinking and acting European, then so must they.

The problems are great but so will the rewards be for those who can see a way round them.

IN THIS SURVEY

David Waller on interpreting Euro-standards

Babbling books

ACCOUNTANCY is supposed to be the language of business, but in Europe there is no single language, only a babble of mutually unintelligible dialects. The differences have become increasingly noticeable as the single market of 1992 draws nearer.

"They militate against cross-border investment," reflects Prof Chris Nobes in his book on interpreting European accounting standards*, "and within multinational companies, they hamper the appraisal of performance, the work of auditors and the movement of staff."

He lists seven factors for the differences: legal systems; the structure of capital markets; the relationship between taxation and reported figures; the varying role and importance of the accountancy profession from country to country; inflation; theory; and accidents.

The philosophical divide is mirrored by a geographical divide: the English Channel. In the UK, accounting reflects a tradition of commercial law and a strong profession where accountants have placed greater reliance on their own judgment than on a rule-book.

On the other side of the Channel, accounting is law-based and prescriptive; it reflects the fact that in many countries the main providers of finance are bankers who do not make their decisions on the basis of published accounts but have access to management figures; under the German principle of *Massgeblischkeitsprinzip*, tax accounts and commercial accounts are one and the same, tax law taking precedence over any requirement to portray commercial reality.

Companies use different policies on accruals; on depreciation; on goodwill and other intangibles; on translating foreign currencies, on deferred tax; on dividends; on stock valuation; on extraordinary items, to name but a few anomalies. These are enough to make it hard, if not impossible, to pick up a set of accounts for two companies in the same industrial sector – but different European countries – and make sensible comparisons.

That emerged from a study by Touche Ross published earlier this year†. It looked at seven hypothetical, identical companies from as many countries. The UK company, it showed, would report both the highest consolidated net profit and the highest return on capital employed. Spain, Germany and Belgium would report the lowest profits. A profit of £100 in France would be £139 in the UK, £89 in Germany and £94 in the Netherlands.

The European Commission recognised the need to promote harmonisation throughout the community as long ago as 1963. It took 15 years to develop what became the Fourth Company Law Directive (adopted 1978), and a lot longer before member states embraced this legislation in their national law. The Fourth Directive, still to be implemented by Italy, covers the basics of accounting: the format of balance sheets and profit and loss accounts, disclosure requirements and bases for valuations.

In 1983, the Commission adopted the Seventh Company Law Directive, which requires publication of consolidated accounts. This was supposed to be implemented by January 1988. Some countries, notably Germany and France, were quick to do so but others, including Italy, are dragging their feet.

For some time, the Commission has acknowledged that company law directives are a cumbrous way to promote harmonisation in the sensitive area of accounting standards. They take too long for a start; they allow too much liberty to member states, allowing disharmony to prosper. They certainly do not tackle the really difficult issues, for example accounting for goodwill.

Research published in January showed that the Fourth Directive has inspired a high degree of basic harmonisation – in the way companies present their accounts or disclose the average number of employees during the year – but that only serves to emphasise the differences on pension and tax liabilities; valuation of stocks and currency translations. In fact, the more important the information, the more likely there are to be divergences between companies in different countries.

The Commission held a conference on the subject in January, out of which a new institution was born: the Accounting Advisory Forum, consisting of government representatives, trade unionists, bankers, stock-market officials, professional bodies and financial analysts. The first meeting, due this month, has been postponed until January 1991 because of overwork in the relevant Brussels department.

At its conference, the Commission shied away from taking steps which could have led to a set of specifically European standards. The new forum will simply offer advice on complicated accounting issues. (Its first meeting will discuss foreign currency translation.) Nevertheless, its rulings will have considerable weight, presumably overriding national accounting standards.

In practice, commercial realities will drive the pace of accounting reform in Europe, rather than the forum. As companies shrug off their insular perspectives and become international in outlook, their accounting should change; as they draw on the world's capital markets, they will have to make their figures more transparent to appeal to international investors and comply with listing requirements.

**Interpreting European Financial Statements: Towards 1992 by Christopher Nobes, published by Butterworths. †Accounting for Europe — success by AD2000?, published by Touche Ross Europe.*

UK PROFESSIONAL REGULATION

The new regime

THE CURRENT year has lacked the obvious drama of 1989 – the year of the mega-mergers – but has been traumatic for the UK's accountancy profession nevertheless, writes David Waller.

The first blow came in January when Ferranti sued KPMG Peat Marwick McLintock for losses arising from its acquisition of International Signal & Control. The electronics company alleged Peat Marwick had been negligent in its audit of ISC between 1984 and 1989.

After an alleged £215m fraud at Ferranti, the writ was a blow to the profession's standing. Not only was it undignified for the Royal Family's auditors to be engaged in a dispute of that kind – it also led to a debate about auditors' responsibilities for detecting fraud.

No sooner was the term "expectation gap" on everybody's lips that the House of Lords delivered its verdict in *Caparo Industries v Dickman*. The gap – between what auditors think they are doing and what the public expects of them – widened as a result of the ruling that auditors do not owe a duty of care to potential shareholders: in law their job is simply to opine on historical figures, without any responsibility to those who take decisions based on those figures.

Commercially, this decision was reassuring to the profession as it would be more difficult to be sued successfully by third party investors relying on accounts that subsequently proved to be faulty. From a public relations perspective, however, it was disastrous – but worse was to come.

The rash of corporate failures has kept the firms' insolvency departments busy and provided a useful counter-cyclical source of income at a time when demand for value-added services such as corporate finance has slumped. However, the failure of quoted companies has highlighted the inadequacies of accounting standards and raised questions about the quality of auditing.

British & Commonwealth Holdings, once the darling of City investors, collapsed as a result of accounting problems at its Atlantic Computers subsidiary. Such problems featured in other corporate failures: Coloroll, Sock Shop, Astra Holdings and Polly Peck, to name but a few.

That there were no obvious accounting problems in the case of Parkfield is a worry in another respect: how is it that a company capitalised at hundreds of millions of pounds at one moment can be worth virtually nothing a little later, without any indication in the accounts of what lay ahead?

The debates over good auditing and over good accounting standards are related. The auditor's job would be far easier if accounting standards were tougher and enforcable.

In 1987, the profession took steps to reform the process by which accounting standards are set. After much delay, the Dearing regime came into being this summer: the Accounting Standards Committee was replaced by a Financial Reporting Council and an Accounting Standards Board.

In time Prof David Tweedie, chairman of the ASB, will unleash a package of far-reaching accounting reforms onto the UK's unsuspecting companies. These will try to make balance sheets coherent and profit and loss accounts more informative. The proposals for the wholesale reform of accounting could be more controversial than the ASC's recommendations on goodwill accounting, which caused a rumpus earlier this year.

The advent of the Dearing regime is significant for other reasons. It represents a defeat for the principle that the UK profession can be trusted to regulate itself in the key area of accounting standards. The ASC did useful work in its 20-year life, the debacle over inflation accounting notwithstanding, but was ultimately a victim of the politics of the six UK professional bodies. Its replacement, the FRC, is a quasi-statutory body with a government-appointed chairman.

If Westminster is making itself felt, so is Brussels. Britain has embraced the Fourth, Seventh and Eighth Company Law Directives, which all impinge on the UK profession. The UK government went beyond the basic requirements of the Eighth – dealing with audit regulation – and in the Companies Act 1989 introduced a requirement for the positive monitoring of the UK's 10,000 auditing firms. The professional bodies will do that by visiting the firms and responding to complaints.

This may be traumatic for both the institutes – more used to being trade associations than regulatory bodies – and the firms – which will find themselves being audited by outsiders for the first time. After the Insolvency and Financial Services Acts, the Companies Act 1989 further cuts the scope for UK accountants to exercise professional judgment: traditionalists fear that the profession is deteriorating into an avoidance industry.

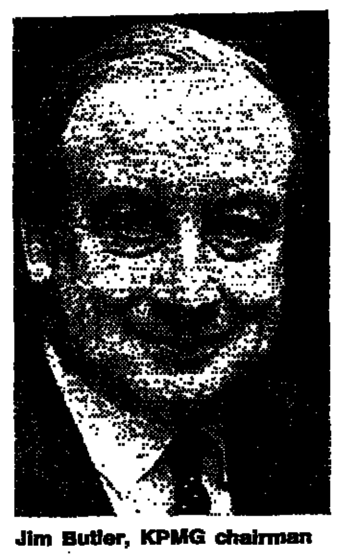
The UK likes to see itself as the mother of the world's myriad accountancy professions. The Institute of Chartered Accountants in England & Wales would no doubt like the chartered accountancy qualification to be *the* business qualification – indeed firms may now train ACAs on the continent for the first time and the Mutual Recognition of Qualifications Directive could make the ACA even more portable.

But the troubles of the profession in recent years are unlikely to make it the ideal role model for accountants in continental Europe: the turbulence is set to continue as the ASB cuts its teeth and the UK sinks further into recession.

THE BIG FIRMS

Size means strength in Europe

THE BARONS of the big accountancy firms have got Europe in their sights. "The opportunities are immense," observes Mr Jim Butler on his appointment as chairman of the KPMG world firm earlier this year. "I have no doubt that Europe will be the biggest area of expansion for the firm during my term of office."



Jim Butler, KPMG chairman

The international accountancy firms are obvious beneficiaries of the wave of industrial restructuring in Europe ahead of 1992. Big companies need good advice about how to operate in Europe as if it were a single market. The firms' fees in Europe have grown rapidly: last month Price Waterhouse and Arthur Andersen announced that their European income had grown by 35 and 39 per cent respectively for 1989-90.

The mega-mergers of recent years were invariably stimulated by a desire on the part of the firms to be bigger and better in Europe. The watershed transaction was the merger between Peat Marwick and KMG Thompson McLintock in 1986, followed in 1989 by the link-up between Arthur Young and Ernst & Whinney which in turn triggered the abortive PW/Andersen talks and the Deloitte/Touche/Coopers & Lybrand imbroglio.

KMG was dominated by strong continental European practices: Klynveld Kraayenhof in the Netherlands, Deutsche Treuhand in Germany; Fiduciare in France. It had managed to avoid linking with one of the Anglo-American Big Eight, opting in 1984 for an alliance with Thompson McLintock, one of Scotland's strongest firms.

However by 1986, KMG had decided that the business advantages of teaming up with one of the Big Eight outweighed the cultural unpalatableness of throwing in its lot with the British and Americans.

The motivation for Peat Marwick was to establish a strong presence on the continent to complement the firm's position in the UK and the US. Exactly the same reason lay behind the Ernst & Young merger: Ernst & Whinney was weak on the continent and strong in the UK, while Arthur Young was strong on the continent and troubled in the UK.

The Deloitte-Touche merger appeared to have been put together in the US without much consideration for Deloitte's British firm. The UK's Deloitte partners felt unhappy about the arrangement and jumped into bed with Coopers & Lybrand instead. This not only created what was far and away the UK's largest firm: it also acted as a catalyst for the refashioning of numerous firms' alliances across continental Europe.

Deloitte firms in Turkey, Cyprus, Greece, the Netherlands, Belgium and Austria opted to join Coopers rather than Touche Ross; Touche Ross's Spanish firm decided to join Coopers as did KPMG's Reveko in Sweden.

Meanwhile, Treuverkehr, Germany's second largest firm, defected from Touche – now called Deloitte Ross Tohmatsu or DRT International – to KPMG. Other defections from DRT include Reconta in Italy (which went to Ernst & Young) and Neutra in Switzerland (which went to BDO).

That is not all: Peat Marwick Norway joined Price Waterhouse, as did Béfec and Revisuisse, formerly the French and Swiss affiliates of BDO respectively. KPMG lost Fiduciare to Arthur Andersen but picked up Bohlins from Deloitte in Norway. Meanwhile Coopers won Treuarbeit from Price Waterhouse in Germany.

The rhetoric said mergers were for the benefit of clients

This rash of reorganisation is very much at odds with the rhetoric which accompanied the main mega-mergers which, it will be remembered, were said to be conducted for the benefit of the firms' multinational clients. It is impossible to imagine any multinational client happy with the disruption of service that must have resulted from the turmoil of the past 18 months.

EMPLOYEES
The big firms in Europe

Coopers & Lybrand	30,000
KPMG	27,500
Ernst & Young	24,500
Deloitte Ross Tohmatsu	18,000
Price Waterhouse	15,000
Arthur Andersen	15,000

Source: FT estimate

More importantly, this reconstruction highlighted how loose were the bonds which bind the firms together across national boundaries. It brought home to clients that Big Eight were in most cases loose federations of national firms which were prone to fall asunder at a moments of great pressure. It is impossible to imagine Unilever or ICI coming apart at the seams in the same way.

A great debate rages in the big firms as to how they should manage themselves. Should they be federal, or should they be centralised and integrated as "one firm" across Europe or indeed the world? Coopers, KPMG, Ernst & Young and Touche Ross are federalists – although not all are happy with the label – while Arthur Andersen and Price Waterhouse both espouse the one firm philosophy.

Without financial integration – whereby partners across Europe share in the same profits pot – it is difficult to see how the firms can pursue co-ordinated strategies; how they can undertake the sort of massive investment required to build a business in the information technology industry, for example, especially in a difficult economic climate; how they can deliver an integrated service to a multinational client; how standards can be maintained across the components of the firm.

The problem with integration is that it demands subordination of the national firms to the centre. Strong national firms do not like that subordination, and thus do not stay long with the integrated firms. *Ergo* the paradox that the two firms with the most sophisticated management structures – namely Andersen and Price Waterhouse – are the smallest players out of the Big Six in Europe, each with approximately half the number of staff of Coopers or KPMG.

Those federal firms which have managed to drum together a common culture and a degree of transnational unity in the time that their networks have been together may offer just what the multinational client wants, for all the shortcomings of their management structures.

The member firms of the federations are more likely to be rooted in the local business environment: the finance director of a UK company conducting a takeover in Germany may want a friendly English voice as his first point of contact, but after that would probably prefer German nationals, familiar with every nuance of the local markets, to conduct the investigation into the takeover target. In a merchant banking context, a US company would perhaps be inclined to retain a US bank in London, but may be better off using Cazenove and Morgan Grenfell.

This analysis of the strengths of the federations ignores the success of PW and Andersen in Spain, France and Italy and Andersen's success in the UK – where it may be the smallest of the Big Six, but remember that it set up a British office only in 1957. Inevitably, the lively debate over how the firms are managed has decades to run.

The big firms face other problems – not least the sort of regulations which make it impossible to provide a full range of services in Italy. There, partners in the firms cannot provide tax and consultancy advice to those companies they audit; moreover they lose their best audit clients every nine years.

The ultimate nightmare for the Big Six would be if the European Commission introduced similar rules across the community as a whole. This seems unlikely, although Brussels has commissioned a report into the competition implications of the rash of mergers last year.

David Waller

GERMANY

In the front line of unity

THE ACCOUNTANCY profession in Germany has been dominated, not surprisingly, by one theme over the past 12 months – German unity. But, unlike most other west German professions and business sectors, the accountants have been catapulted into the front line of the unity process.

About 3,000 of west Germany's 9,000 accountants are now active in the former east Germany. The number is growing every week, says Mr Rolf Lichtner of the Dusseldorf-based Chamber of Accountants.

The accountants are the shock-troops of capitalism involved in the first large-scale conversion of inadequate east bloc balance sheets. They are also a crucial link in the economic integration of east Germany as, without objective financial data there will be little interest in taking over, or even lending money to, east Germany's 8,000 companies.

According to the terms of German economic and monetary union on July 1, all 8,000 companies were meant to present D-Mark balance sheets by October 31. However, despite the efforts of nearly one-third of the west German profession, the balance sheets have only been completed for about 1,000 companies. The rest are expected by the end of February, but by the end of April all the new balance sheets are also due to be audited.

Mr Lichtner says that there have simply been too few properly qualified people and too little time for the complicated task. He adds that it is better to do the job thoroughly and get it roughly right than to do it in a rush and produce something of little value.

But there remain almost insuperable problems in getting it even roughly right. The old east Germany, which boasted only about 150 accountants, had balance sheets but their categories did not correspond to western accounting methods. More significantly, the valuations in the balance sheets were largely meaningless in the new D-mark market economy.

The main difficulty for the accountants converting the balance sheets is how to calculate the new values. In evaluating plant and machinery, most have used the rule-of-thumb that east German equipment is worth about a tenth of west German equipment. But there are obvious exceptions to this rule, such as new equipment bought from the west, or office furniture which is often worth about the same as that in west German companies.

Then there is the problem of land. Mr Lichtner says that as much as 40 per cent of east Germany's entire land mass is the subject of claims from former owners. Many companies do not know whether they own their land, and even if they do own it the accountants are finding it difficult to put a value on it until there is a properly functioning market in land.

(The former east German government did produce a list of estimated values – DM3,000 a square metre in Berlin, DM650 in Dresden and DM490 in Leipzig – which Mr Lichtner says has been useful).

Other problems include:

- Estimating the value of trade contracts with, or work in progress for, former east bloc countries which may not be in a position to pay in D-marks, if at all.
- Estimating whether a company will have to pay off the debts it inherited from the old regime or whether it will be bailed out by the Treuhand, the trust body which owns most east German industry.
- Deciding what the boundaries of a company are. Does the company, for example, include the hospitals and holiday homes which may once have belonged to it?

Given these, and many other, difficulties, it is not surprising to learn that the balance sheets are deemed provisional for their first eight months and are then officially open to backdated revaluation until 1994.

By then, a large number of the 8,000 companies will have gone bankrupt. The west German bankruptcy law is now valid for east Germany too, but many east German companies are dodging liquidation either because the Treuhand is still bailing them out with "liquidity credit" or because "there are simply not enough liquidation officials to deal with them," according to Mr Lichtner.

West German accountancy firms have so far not been plagued with unpaid bills from east Germany despite the fact that they are charging almost the normal market rate. "Fees are sometimes reduced a little partly on grounds of fairness and partly on marketing grounds," says Mr Lichtner.

Europe remains the other big theme for accountants in Germany; both the matter of incorporating EC accounting directives and the harmonisation of qualifications which is designed to allow accountants from other EC countries to practise in Germany and vice versa.

Mr Lichtner says the German profession is proud of the fact that Germany will be the first large EC country to allow non-national EC accountants to practise after January 14 next year. The non-Germans will merely have to pass a short exam on German business law. But Mr Lichtner is not expecting a wave of non-Germans, "only a couple of hundred in the first few years". Given the demands of east Germany, work should be easy to find.

David Goodhart
Bonn

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ACCOUNTANCY 4

Haig Simonian on new moves in Italy

Audit merry-go-round

"THE MORE it changes, the more it says the same," could be the motto for Italian accountancy this year as the long-awaited repercussions of legislation requiring the obligatory changeover of auditors have failed to trigger the revolution expected.

True, client relationships have started to be reshuffled as a result of the 1981 law, which introduced the mandatory certification of accounts by independent outside auditors for many Italian companies, notably those quoted on the stock exchange.

The law laid down that the auditors appointed could do the job only for three renewable terms of three years each, so the first batch of changeovers is already under way.

Instead of the upset widely forecast, the signs are that there have been few big winners or losers from Italy's auditing merry-go-round.

Arthur Andersen, the country's biggest partnership, with 600 employees spread around 12 cities, has lost the Fiat account to Price Waterhouse. But, demonstrating the see-saw nature of the current situation, PW has lost Stet, Italy's public sector telecommunications group, to Arthur Andersen.

Like many of his senior colleagues at other big partnerships, Mr Maurizio Milanesi, Arthur Andersen's chairman in Italy, is critical of many aspects of the 1981 law, which has caused confusion, duplication and unnecessary costs for all concerned, he thinks.

But while attacking the law, which may undergo some alterations following the publication in July of a consultative document from Consob, Italy's stock market and companies watchdog, he is sanguine about the effects for his firm.

Not only has it won Stet, it has also picked up Fondaria, the big Florentine insurer, he says. As a result, Arthur Andersen has managed to "regenerate 85-90 per cent so far of what is being lost".

Such shuffling has taken the much of the sting out of another widely-criticised aspect of the law – the fear that compulsory changes of auditor would necessitate massive transfers of staff between regional offices as clients are lost and won.

Mr Milanesi thinks there is unlikely to be much of a change in numbers at his firm's big Turin office – where Fiat is based – thanks to the compensating effect of the other business it has gained.

However, some surprises may still be in store, as the only companies to have changed auditor so far are those groups which were quick off the mark when the new law took effect. Among the prizes coming up next year are Olivetti, the computers and office equipment group.

So far, only KPMG Peat Marwick Fides has been under a cloud. But the damage appears to have been caused more by extraneous factors than by customer dissatisfaction prompted by the law itself.

KPMG's standing has taken a knock following this year's slanging match with Banca Popolare di Milano, Italy's second biggest co-operative bank, chaired by Mr Piero Schlesinger, a tough law professor and practising advocate.

The dispute centred on Istituto Milanese Leasing (IML), a small leasing company bought by the bank, which then claimed that KPMG failed to point out that its assets were greatly overstated.

The auditors countered strongly that IML's accounts carried a special "reserve", pointing out the need for further investigation. It has been hard to avoid the impression that the bank has been looking for a convenient scapegoat and in mid-September, its court case to sequester KPMG's Italian assets was dropped.

Italy's smaller accounting firms may also have come off the current merry-go-round with less than they might have liked.

Although they are also critical of aspects of the 1981 law, some partners in the smaller firms, which like to portray themselves as more "Italian" than their bigger rivals, had undoubtedly hoped that the reappointment process might have created new opportunities not available nine years ago – when many of the smaller groups were not even born.

So far, the smaller partnerships appear not to have made the breakthrough expected, with Italy's big companies still preferring to have their accounts certified by one of the top international partnerships.

Indeed, the current period of change has again spotlighted the rather artificial contrast between "Italian" and "international" accountancy firms.

The wishes of partnerships such as Italaudit, run by Mr Claudio Muollo, a former executive at Peat Marwick Mitchell, to gain new business are understandable. But the political distinction drawn between different types of accountants and the somewhat chauvinistic appeal of the smaller firms seems not to have been heeded by many big clients.

The appeal on cultural grounds has made little headway. For while the big UK accounting groups in Italy were slow to appoint Italians to senior positions, such habits have long since changed.

Calls by some smaller accountancy firms for preferential treatment from state industry may make more head-way.

But even then, barriers remain. Some state-owned companies may now be discriminating positively in favour of the smaller partnerships. But even then, they can impose strict criteria, limiting smaller partnerships to bidding for the business of subsidiaries up to a pre-determined size.

Though sticking to his guns about the need for more exposure for smaller partnerships, Mr Muollo himself grudgingly confirms the trend. In a small, but telling, shift of image, Italaudit has established a relationship with Grant Thornton. In future, it will feature the international partnership's name more prominently with its own title, in a bid to get the best of both worlds.

A new era for financial information is dawning. **Peter Bruce** reports

Reforms create bonanza in Spain

THERE IS no point in being polite about the state of Spanish financial reporting up until the late 1980s.

No financial information was available at all for non-quoted companies. Audited accounts disclosed little and did not contain any notes. There was no requirement to consolidate. There was no statement of shareholders' funds. Tax evasion was endemic; not even the sophisticated and only the very silly believed the financial information that was available.

To an uncomfortable extent, much of this remains true. The stock market remains a playground for insiders and releases of corporate information to the media are so poorly managed that most newspapers justifiably print a variety of stories based on the same information the following day.

Many of the Big Six auditing firms have been in Spain for decades, but mainly to service the affiliates of foreign multinationals. Spanish auditing started – by General Franco's edict – in the early 1950s. He created the ICJCE, which for years performed perfunctory audits on quoted companies. But corporate transparency was not one of the general's passions. The 1952 Companies Act, superseded only last year, required no more than that two of a company's shareholders sign its accounts. Even then, they were not liable for what they were signing.

The first mandatory audits came into force in 1980 when the Bank of Spain told commercial banks to appoint auditors. There was another trickle of business as companies such as Telefonica and the power utilities opened their books to proper scrutiny as they tried to raise money or float shares on international markets.

But something had to change after Spain joined the European Community in 1986. Last year, the government passed measures that threaten – it remains to be seen if the reforms are implemented and properly applied – to light terrible fires under the seats of most Spanish finance directors and which have been a boon to the big accounting firms.

The reforms update the Audit Law, the Companies Act and the *Plan General de Contabilidad*, the general chart of accounts. A new audit institution has been established and under the new Companies Act, all companies must not only have their accounts audited by a member of the new body (which, for protectionist reasons, does not recognise the foreign partners of Spain-based multinationals as they do not have Spanish degrees) but must also lodge them with the mercantile registry where – horror of horrors! – they will be available to the public.

This means that for the first time a credit agency will be able to make a reasonable assessment of a Spanish company's worth.

Assuming, that is, that the accounts registered approximate to the truth. The fact that all directors now have to sign, and be liable for, a company's results may help, but there are other imponderables. The new companies law derives principally from the EC's fourth directive, but as in Italy, companies must appoint auditors for a minimum of three and a maximum of nine years.

There has been a rush to contract auditors. "It has been quite dramatic," says Mr Ian Angus of Coopers & Lybrand in Madrid. Perhaps hundreds of thousands of Spanish companies are being audited this year for the first time.

But tying these inexperienced people up with an auditor for three years may leave both auditor and clients with bad tastes in the mouth, particularly if they do not like each other. "People don't know what they are buying yet," says Mr Angus. The strains on both customer and accountant will be great, particularly as tax evasion is common in Spain and the reforms make the auditor responsible for reporting any evident fiscal irregularities.

Although accounts for the year ending June 30 this year have to be registered, only this current year's will have to be audited for the first time. It promises to be quite a spectacle. The Plan de Contabilidad forces new accounts, for instance, to show leased assets as acquisitions and not as deductible expenses.

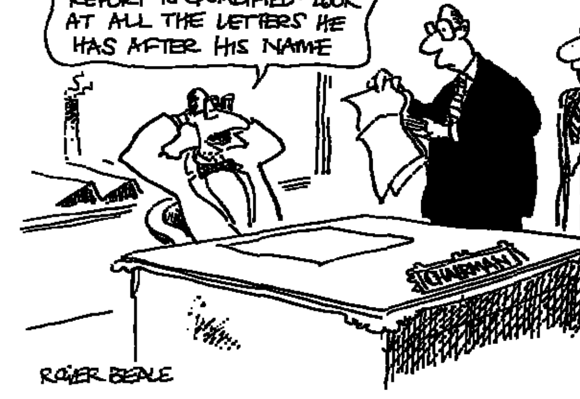
And while Spaniards are secretive people, they are canny too. Auditors admit they are enjoying something of a bonanza at the moment but complain that customers are shopping around, particularly among the Big Six, before settling on a three-year partner. Auditing margins, therefore, are not what they might have been and most firms continue to make most of their money through consulting divisions.

Arthur Andersen, which split its auditing and consulting divisions in Spain last year, is the colossus of the country's accountancy profession, though it does twice as much business in the consulting market. For much of this year, it has been riven by a public dispute after the senior partner of the consulting arm launched a (failed) buyout bid for his side of the business.

Auditing has grown dramatically in stature in Spain. One measure of this is the status given to Mr Manuel Soto, Arthur Andersen's managing partner in Spain, who is the firm's senior partner in Europe and narrowly missed being elected president of the entire firm last year.

But it is possible that the reforms have been imposed too quickly on Spanish companies. Any auditor worth his or her salt is going to discover decades of unpaid taxes in most family-owned Spanish companies in Spain. Does he then become responsible for closing his client down?

No doubt this Spanish Government's flair for passing laws and then not enforcing them will help overcome many of the early difficulties but the next year or two promises to make enjoyable watching.



Peter Walton on the Big Six in France

Name of the game

AS THE big firms get bigger – and as an international service capability becomes essential – the name of the game in the French profession is *la concentration*.

For many years the typical French firm was small, and even the Paris practices of the international firms were smaller than some of their provincial British offices. Even today, an estimated 95,000 accountants and support staff employed in the profession are spread across about 6,000 firms. The "average" professional company (practices are usually incorporated, partnership in the British form does not exist as such in France) would have 15 staff overall, of which 10 would be women.

But in the past 10 years client demand for specialist services and economies of scale have begun to bite and smaller firms are disappearing daily, victims of *la concentration*, bought up by bigger firms which are fighting for survival. The Anglo-Saxon firms have been the gainers in this, emerging from the shadows where previously their presence and size had been acknowledged but ignored as far as possible by the rest of the profession.

The general view is that the audit market has reached a plateau and future expansion lies in related services and the ability to deliver international support. But to provide such specialist services a firm must be reasonably large. Some smaller French firms have recognised this and taken their clients into a large company. For example, Mr George Barthes, former chairman of the IASC, last year took his 200-man firm, Frinault Fiduciaire, into Arthur Andersen's. Others have gone on spending sprees, buying up small provincial companies to build up their critical mass and compete, at least at a national level, with the Big Six.

THE TOP SIX: based on turnover split by activity

	Audit	Accounting services
1	Ernst & Young	KPMG Fiduciaire de France
2	Price Waterhouse	Sofinarex
3	Arthur Andersen	Eurex
4	Coopers & Lybrand	Sofidex
5	KPMG Fiduciaire de France	Cie Générale Fiduciaire
6	DRT	Fid. Compt. du Sud-Ouest

Source: La Profession Comptable

They are dominant in audit, but not in accounting

For the international firms, this period has seen substantial growth and a gentle swing away from lurking behind names such as Guy Barbier (Arthur Andersen) or Petiteau Scacchi (Price Waterhouse). As French companies respond to the internationalisation of their markets, they increasingly need the global support which is the competitive edge of the Big Six who have become a more visible and more accepted (if reluctantly) part of the accounting landscape.

Within the profession, although they are far from enjoying the influence which is theirs in Britain, Big Six staff now sit on the governmental standard-setting body (Conseil National de las Compatabilité) and the ruling councils of the professional bodies. The Big Six now have a dominant position in the French market. The most reliable figures show only one purely French firm in the same bracket as the Big Six.

However, as with many aspects of France, the situation is not quite as clear-cut as might appear – many firms earn substantial fees from providing accounting services rather than audit, and often other services such as data-processing or computing software and equipment are sold to clients from related but separate companies. Arguably, there are several different markets. It is also quite common for firms to group together to provide staff training and technical services (the French do not shy away from the term research) which may be separately constituted.

In theory, the profession is organised into two branches: auditors and accountants. Auditors are members of the Compagnie Nationale des Commissaires aux Comptes (CNCC) and provide statutory audits for business, under the supervision of the Ministry of Justice. The audit appointment is, though, fixed at six years for limited companies and the minimum hours of audit to be provided are fixed by statute in relation to client size. (The hourly rate is not, though, fixed, and indigenous firms have been happy to ride in the slipstream of the Big Six as they pushed up the charge-out rates).

Accountants, on the other hand, are members of the Ordre des Experts Comptables et des Comptables Agréés (OECCA) and provide accounting, tax and sometimes legal advice, under the supervision of the Ministry of the Economy. An auditor cannot give these services and someone engaged as an accounting adviser cannot give audit services.

On the face of it, there are therefore two professions, but in reality 95 per cent of the auditors are also members of the OECCA and many firms run two entities: an audit company and an accounting company. The provision of accounting services has historically been very much more important to firms in France than it is in Britain, and when firms are compared as top turnover, a split between audit and accounting activities shows the Big Six dominant in audit, but not in the provision of accounting.

Only KPMG has a substantial activity in both fields. It is the field of audit also that *la concentration* has been particularly virulent. While the overall market may be mature, it is probable (*inéluctable* was the word used by one accountant) that the globalisation of business will force all the larger corporates to shift away from national firms.

A survey just completed by *La Profession Comptable* shows that in a sample of 100 top French companies (excluding the subsidiaries of foreign multinationals) and based on the audit reports for the 1989 financial year, the Big Six are involved in the audit of 77 per cent. In terms of numbers of audit appointments, Arthur Andersen (24 per cent) and Price Waterhouse (23 per cent) are the leaders, followed by DRT and Ernst & Young (both 18 per cent) and Coopers & Lybrand (17 per cent). French companies are normally required to appoint two auditors.

In other areas, M Jean Claude Viarnaud of Price Waterhouse points out that there is a large growth potential in the French public sector, even if this may be slow to open up by comparison with Britain. Recently, Salustro Reydel (one of the largest French firms) won a contract to provide 50,000 hours of work on the management accounting systems of the PTT.

The French market contains a much wider diversity of services and clients than the British market and the structure of the profession is therefore not strictly comparable, but as far as the audit and tax sector goes, the Big Six are dominant in the area of large corporate clients and are set to increase their hold.

The writer is technical editor of the FT's World Accounting Report.

David Waller looks at the opportunities and the pitfalls

East Europe trumpets sound

OF THE immense number of press releases which have landed on this writer's desk in the past 18 months, almost half had something to do with eastern Europe.

They have trumpeted the openings of new offices, the winning of new clients, the forming of joint ventures, the launch of training schemes, the successful promotion of one privatisation after another.

It is unlikely that any of the firms issuing these releases have made any money so far out of their presence in what used to be the eastern bloc. But one can only admire the zeal with which the big firms – and some of the medium-sized firms – have snatched the opportunities presented by one of the revolutions of 1989.

The accountants are advising western investors on investment opportunities in the east. They also advise eastern bloc businessmen on how to bring their companies up to western standards, perhaps as a prelude to a joint venture or a fully-fledged flotation. They help governments with the traumatic process of moving to a market economy, and provide valuable training in the basics of capitalism.

Apart from east Germany, western accountants' offices are to be found in Budapest, Warsaw, Prague and, more recently, in Moscow and even Kiev. Most of the big firms have set up in the region: Price Waterhouse had a presence in Budapest as long ago as 1988; PW and Ernst & Young have been at the forefront of development in the east.

The reform of people's attitudes is the key problem

Arthur Andersen has done some high-profile work in Poland and, like Coopers & Lybrand and KPMG, is now active throughout the region. DRT International was last into the field, launching its east European network in September this year.

Price Waterhouse helped Tungsram, the Hungarian light-bulb manufacturer, prepare itself for sale to General Electric of the US, and was reporting accountant when Ibusz – the Hungarian travel company – floated on the Vienna and Budapest stock markets earlier this year. PW is also advising on the privatisation of Skoda, the Czech car manufacturer and is one of the advisers to Hungary's State Property Agency, which is responsible for supervising the move to the market economy.

Ernst & Young is advising the Czech government in a similar capacity; Arthur Andersen helped Mrs Barbara Piasecka-Johnson, the Polish-American heiress, in her ultimately unsuccessful attempt to buy the Gdansk shipyard – and is now working on a number of "major investigations" for western clients. Coopers is helping Poland come up with a new accounting system.

Lest it be thought the east is the preserve of the big firms alone, it should not be forgotten that Moore Stephens, the 16th biggest firm in the UK, was the first western accountancy firm to set up shop in Poland, forming a joint venture there in May 1989. It has also been active in the Soviet Union, where it was co-auditor with Inaudit, the Soviet state auditor, of AKV Sovkomflot, a large Soviet shipowner which took the unusual step of releasing western-style figures.

Stoy Hayward and Pannell Kerr Forster have consultancy work in the east, particularly in Hungary where there is a strong demand for tourism studies. Lubbock Fine, a City-based firm, did a study of the Czech bicycle industry.

The UK's professional bodies have been busy in the east too: the Institute of Chartered Accountants has this year had experts from Czechoslovakia, Hungary, Poland, Romania and the Soviet Union on extended visits, and taken other steps to help the fledgling profession in the former eastern bloc. The Chartered Association of Certified Accountants has provided advice to governments and aid agencies and should play a growing role in training hordes of would-be accountants.

In a command economy, the purpose of a business is not to make a profit but to meet production targets. This means that accounting is backward by western standards, geared to show the extent to which an enterprise has met the requirements of the central plan rather than profits. But the reform of accounting is less important than the reform of people's attitudes: under a command economy managers have not learned to think in terms of profits and are unfamiliar with commercial valuation techniques.

Like all western businessmen operating in the former communist regimes, accountants face considerable practical difficulties in setting up shop. Office space is difficult to come by; hard currency and top-quality staff even more so. But western accountants will come up against problems of a different order of magnitude.

Short of a McDonald's restaurant or an Adidas store, the accountancy firms are the most visible manifestation of capitalism and the west in many of these countries. This is good insofar as the firms will provide basic business education to myriad would-be entrepreneurs who in time become will become clients. But it means that the firms will be in the firing-line over aspects of the difficult transition to the market economy.

They have already faced heavy criticism over the price at which businesses are sold to the west, especially in Hungary where the firms were at the centre of public disputes over the sale of Tungsram, Ibusz, and Apisz Stationery, to name but a few. In July, the Hungarian Democratic Forum attacked the Ibusz flotation as a scandalous "selling out of Hungarian national property". Earlier in the year, the government intervened to unscramble the sale of Hungar Hotel to a Swedish group on the grounds that the price was too low.

These disputes reflect Hungarians' understandable fears that that the country's "crown jewels" will be sold off on the cheap to westerners, as well as lack of understanding about the way companies are valued.

The firms inevitably risk public opprobrium when they encourage inwards investment, however much that may be welcome in the more entrepreneurial sections of the community. Of all the former east bloc countries, Hungary has the greatest degree of familiarity with free market principles, so problems of this nature are likely to be graver elsewhere.

LONDON STOCK EXCHANGE

Increasing focus on the Gulf factor

RISING concern over the Gulf situation finally unsettled a London stock market already reacting cautiously yesterday to the reshuffle of the UK government by Mr John Major, the new prime minister. Share prices, which had been struggling to recover from a dull start, turned off at the close as reports reached London that allied forces in the Gulf had been placed on alert ahead of the vote in the United Nations on the possible use of force to liberate Kuwait.

Equities opened lower and slipped to a loss of 14.5 on the FT-SE scale in early trading as the market continued to react to waning optimism over prospects for early cuts in domestic interest rates. While taking a favourable view of Mr John Major as the new UK prime minister, the stock market appeared somewhat less happy with the appointment as the new chancellor of the exchequer of Mr Norman Lamont, who is thought less likely to favour early cuts in base rates.

There was some increase in selling yesterday which, according to senior traders, came from the performance-orientated investment funds and not from the longer term investment institutions. Much of last week's upturn in equities was fuelled by hopes that the newly constituted Conservative government might move for a full point cut in base rates before Christmas. However, with London money market rates remaining less encouraging since Mr Major's appointment, interest rate optimism continued to ease.

The stock market still regards Mr Major as "an unknown quantity", to quote the comment at the morning meeting of one leading securities firm. "If anything, the move to 13 per cent interest rates looks a little further away this morning than it did a week ago," was the summary.

Nevertheless, the Footsie rallied at mid-session, moving into firm territory until London turned nervous ahead of the opening of the new Wall Street session. Share prices hung fire as Wall Street came in with a dip of 3.22 Dow points in London time, but the heart was taken out of the UK market by the reports from the Middle East, which sounded a note of alarm.

By the close of trading, the FT-SE Index was showing a fall of 8.7 points at 2,135.6. The pressure from performance funds was reflected in Seaq volume, which increased to 414.9m shares from the 351.5m of the previous session.

Among the day's features was a continued slide in shares of RTZ, the mining and construction group, as several London securities houses downgraded the stock. Mr Euan Worthington at Warburg Securities advised reducing holdings in RTZ in view of the effect on the group of strong sterling, potentially falling UK interest rates and a slowing world economy.

The equity market was led for much of the session by the index futures sector. At the close, the Footsie December future stood at a small premium to fair value against the underlying index. Equities played little heed, however, to a firm performance by UK government bonds, which took a more positive view of the new UK government's prospects of holding the line against inflation.

Strategists at Shearson Lehman Brothers said the rally in gilts had in part reflected the market's concern over a possible challenge to the established custom whereby London marketmakers borrow stock over short periods.

Account Dealing Dates

*First Dealings:	Nov 19	Dec 10	Dec 31
Option Declarations:	Dec 6	Dec 27	Jan 10
Last Dealings:	Dec 7	Dec 28	Jan 11
Account Day:	Dec 17	Jan 7	Jan 21

*New-time dealings may take place from 9.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Nov 29	Nov 28	Nov 27	Nov 26	Nov 23	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	82.34	81.90	82.43	82.51	81.88	83.06	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.65	89.48	89.46	89.26	89.09	92.21	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1674.8	1686.2	1689.7	1698.6	1712.2	1805.6	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	157.6	158.1	157.5	158.7	155.3	280.5	378.5 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2135.6	2144.3	2159.5	2151.9	2170.5	2276.8	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	950.93	951.24	948.31	950.43	972.78	-	1000.00 (26/10)	948.31 (27/11)	1000.00 (26/10/90)	948.31 (27/11/90)
Ord. Div. Yield	5.77	5.72	5.68	5.68	5.63	4.73				
Earning Yld %(full)	12.07	11.99	11.88	11.88	11.78	11.44				
P/E Ratio(Net)(☆)	10.01	10.08	10.20	10.19	10.38	10.56				
SEAQ Bargns 4.45pm	21,218	21,960	23,210	28,707	26,153	24,241				
Equity Turnover(£m)†	-	736.50	703.80	699.28	731.78	1011.72				
Equity Bargains†	-	20,319	21,984	26,226	24,189	23,948				
Shares Traded (ml)†	-	324.8	327.0	388.5	365.4	351.0				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 9.85

Ordinary Share Index, Hourly changes Day's High 1685.2 Day's Low 1673.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1679.1	1674.9	1678.3	1683.9	1684.6	1683.1	1680.1	1678.1	1674.8

FT-SE, Hourly changes Day's High 2145.9 Day's Low 2129.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2135.9	2132.5	2136.4	2144.3	2145.6	2145.1	2139.3	2137.6	2134.6

FT-SE Eurotrack 100, hourly changes Day's High 951.94 Day's Low 947.90

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
948.64	948.09	950.63	951.10	951.25	950.96	950.50

GILT EDGED ACTIVITY

Indices*	Nov 29	Nov 28
Gilt Edged Bargains	164.1	153.2
5–Day average	178.0	176.4

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2,800	108½	−2½	Cookson	3,000	108	+4	MEPC	654	504	+1	Smith & Nephew	737	108	−½
ASDA Group	3,600	127	+2	Courtaulds	332	329		Manpower	0	50		SmKl Beecham	1,300	592	+3
Abbey National	2,900	223½	−4½	Dalgety	123	348	−1	Marks & Spencer	7,700	226	−4	SmKl Beecham Uts.	366	2573	+20
Allied-Lyons	2,100	480	−2½	Dixons	836	140		Maxwell Comms.	295	154		Smiths Inds.	11	213	−2
Amstrad	1,200	63		ECC Group	868	321	+1	Midland Bank	1,500	194	−3	South West Water	159	254	+1
Anglian Water	7,400	261	+2	Enterprise Oil	1,100	643	+4	NatWest Bank	3,300	269	−16	Southern Water	1,100	231	+1
Argos	1,800	252	−6	FKI	0	49		Next	140	24	+1	Standard Chartd.	251	267	−1
Argyll Group	1,800	244	+3	Ferranti	1,300	17		North West Water	720	249	−3	Storehouse	2,250	110	−2
Ass. Brit. Foods	3	395	−2	Fisons	1,000	372	+1	Northern Foods	133	352	−1	Sun Alliance	1,100	324	−11
BAA	50,000	392	−12	Gen. Accident	1,700	500	−14	Northumbrian Water	528	265	−1	Sun Life	17	1055	−3
BAT Inds.	3,000	558	+5	General Elect.	2,700	186½	−2½	Pearson	213	658	+1	T&N	1,800	149	
BET	2,800	184	−5	Glaxo	2,600	813	+18	P & O	1,200	512	−12	TI Group	376	404	
BICC	780	332	−8	Glynwed Intl.	104	218		Pilkington	338	152	−3	TSB	2,600	140	
BOC	953	498	−8	Granada	864	166		Prudential	1,900	202	−3	Tarmac	860	245	−1
BPB Inds.	2,000	183	+9	Grand Met	2,600	601		RHM	1,500	280	+3	Tate & Lyle	1,300	398	−3
BTR	4,000	329	+1	GUS A	409	1076	−35	RMC	613	688	+2	Taylor Woodrow	65	229	−1
Bank of Scotland	192	113		GRE	4,200	186	−5	RTZ	2,300	430	−12	Tesco	4,000	229	+1
Barclays	4,400	364	−18	GKN	541	316	−11	Racal	3,600	185	−4	Thames Water	1,700	252	−1
Bass	309	1021		Guinness	1,300	733	−3	Racal Telecom	173	272	+1	Thorn EMI	546	645	−6
Beazer	170	92	−1	Hammerson 'A'	6	575	−3	Rank Org	639	607	−15	Trafalgar House	1,400	168	−8
Berisford Intl.	437	27		Hanson	2,200	197	−2½	Reckitt & Colman	58	1234	−1	Trusthouse Forte	718	267	+4
Blue Circle	679	222		Hanson Warrants	433	36	−½	Redland	541	576		Ultramar	370	342	+2
Boots	2,900	337	−1	Harrisons Crosfield	952	143	+1	Reed Intl.	464	378		Unigate	278	273	
Brit. Aerospace	2,300	526	−5	Hawker Sidd.	285	430	−3	Reuters	1,600	613	−25	Unilever	2,300	649	
British Airways	4,800	142	+1½	Hillsdown	4,100	257	−10	Rolls Royce	8,700	153	−5	United Biscuits	1,400	313	
British Gas	5,000	234	+½	IMI	2,700	207	−4	Rothmans	115	709	+1	Utd. Newspapers	116	309	−2
British Land	5	280	−3	ICI	1,600	873	−13½	Ryl Bk Scotland	4,100	149	+5	Water Package Uts	2	£2475	−5
BP	2,400	345	+3	Inchcape	851	241	−3	Royal Insurance	416	416	−8	Wellcome	368	380	−½
British Steel	6,300	119½		Kingfisher	1,700	388	−1	STC	45	318		Welsh Water	155	275	
British Telecom	5,300	284½	+3	Ladbroke	1,300	282	+2	Saatchi	500	38½		Wessex Water	130	243	+2
Bunzl	687	68	−1	Land Securities	609	518	−5	Sainsbury	1,000	292	+3	Whitbread 'A'	869	442	−1
Burmah Castrol	110	459	−4	Laporte	64	493		Scottish & New	241	350		Wiggins Teape	1,700	173	+2
Burton	1,200	85		Legal & General	441	389	+2	Sears	3,300	85½	+½	Williams Hldgs.	1,000	221	−13
Cable & Wire	2,000	443	+9	Lloyds Abbey	457	331	−9	Sedgwick	122	229	−1	Willis Corroon	516	249	−2
Cadburys	1,500	329	−3	Lloyds Bank	1,200	281	−14	Severn Trent Water	1,400	219	−2	Wimpey	329	209	−2
Calor Group	120	215	−2	LASMO	1,200	432	−1	Shell Transport	6,600	464	+5	Yorkshire Water	197	284	
Carlton Comms.	1,200	333	+2	Lonrho	352	211	+2	Siebe	235	381	+4				
Coats Viyella	3,800	117	−3	Lucas	683	127	−2	Slough Ests	35	227	−6				
Comm. Union	1,000	483	−12	MB Caradon	40	158	−3	Smith (W.H.) A	598	382	−6				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

Stake disposal hits BAA

THE long-heralded disposal by Bermuda-based conglomerate ADT of its holding in BAA (formerly British Airports Authority) took place at the start of trading yesterday. Smith New Court and BZW bought the 23m-share stake for about 386p and immediately placed it among institutions at 389p. BAA lost 12 to 392p with Seaq recording a trading volume of 50m shares. Seaq normally double counts turnover. ADT eased 2½ to 108½p.

Analysts agreed that ADT was likely to have made a small profit on its BAA holding – some shares had been sold at higher prices earlier in the year – but were divided over whether the deal was good news for BAA. On the bullish side was the argument that an overhang of stock had been removed, with the counter argument being that there should no longer be any bid premium in the price.

One immediate beneficiary was Lep Group, a security and distribution company in which ADT has a more than 27 per cent stake. The renewed possibility of a bid helped the shares rise 7 to 140p.

Toll on Barclays

A warning from Barclays that the recessionary climate is exacting its toll on the company's profits added to the sombre mood created after Wednesday's sector downgrade by several analysts. Barclays slipped 18 to 364p as clearing banks again suffered from fears about bad debts and the declining market in quality loan demand. There was added concern on operating costs, including high wage payments.

Barclays also announced the terms of an agreement with the minority holders in its broking arm, BZW Holdings, for the acquisition of outstanding founder shares in BZW. The deal involves the payment of £111m, valuing BZW at around £750m, a figure regarded by some analysts as a little on the high side. Barclay's original investment in the company was in the region of £125m in 1986, but it has since injected a considerable amount of expansion capital.

A 16 per cent rise in the annual dividend from Royal Bank of Scotland was well received, in spite of a fall in operating profits. There was relief at the bank's decision to pull out of the earlier merger proposal between its US subsidiary, Citizens, and Bank-Worcester Corporation of New England.

Analysts also pointed to a strong balance sheet, and stressed that the bank offered good value against the four major UK clearing banks. In spite of a rise in bad debt and concern about operating costs, Royal Bank shares finished 5 higher at 149p. Among other banks, Lloyds fell 15 to 280p and NatWest lost 16 to 269p.

GKN downgrading

The latest round of lower estimates for company profits yesterday netted engineering and automotive alpha stock GKN. The shares experienced a sharp reversal, falling 11 to 316p, as BZW cut its estimates. Previously top of the 1991 range with a figure of £205m, the investment bank moved to the bottom with a new number of £175m.

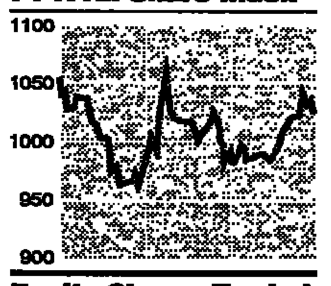
Mr Peter Caldwell, sector analyst at BZW, found it difficult to understand the recent strong share price performance – 5 per cent relative to the market over the past month – in the face of worsening fundamentals. European and UK automotive markets are the main cause of concern.

Sizeable sellers of conglomerate Williams Holdings appeared after word circulated of a securities house downgrading profit estimates for both this year and next. Although seen as a beneficiary of cheaper money trends, Williams' shares reacted to close 13 down at 221p.

Mr Richard Rae of Hoare Govett confirmed lowering his forecasts because of continuing weakness in the group's Smallbone and Amdega divisions, coupled with the emergence of similar signs in its US businesses. His new figure for the current period is £123m, down from £130m, and for next year £125m, previously £132m. No significant changes have been made in dividend expectations, said the analyst, just some fine-tuning.

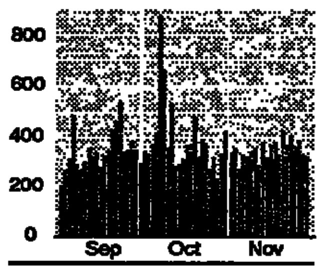
The announced retirement of the chief executive of Reuters left the shares 25 off at 613p. Analysts struck a more positive note than the market, with Mr John Clarke at Daiwa remaining "a committed bull of the stock", and Mr Brian Newman of Henderson Crosthwaite looking forward to the company's annual presentation to US investors and analysts in New York on December 4. "It should take a lot of the uncertainty out of the price," said Mr Newman.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
intra-market business & Overseas turnover



Further publicity for Glaxo's presentation to analysts today helped the shares rise 18 late in the session to 813p.

Widespread reports that British Aerospace (BAe) will shortly confirm job losses of 4,500 owing to cutbacks in government defence spending initially put the shares down to 520p. But they rallied when it was pointed out that redundancies had been signposted some months ago. The stock ended 5 down at 526p.

Rolls-Royce was also affected by the BAe reports. Although analysts described them as a rehash of old stories about UK defence cuts, trading volume increased noticeably to 8.7m as the shares declined 5 to 153p.

The market appeared to change its views on prospects for next week's dividend announcement from Trafalgar House following Wednesday's sale of Trafalgar's stake in Costain, the construction group.

Selling of Trafalgar stock yesterday suggested renewed fears that the Trafalgar board may choose to cut the final dividend payment next Tuesday when it reports annual figures. Selling was more persistent than heavy, said dealers, but the undertone suggested that the dividend doubters were in the majority. The shares settled 8 down at 166p.

A.B. Electronic plummeted 31 to 87p after the company warned of small losses in the first half of the current year. Cable and Wireless contrasted with an advance of 11 to 443p following a series of US presentations.

A profits warning left TIP Europe, the Anglo-Dutch trailer rental company, 22 down at 49p. The group's chairman said: "Demand for the company's trailers in the US has been adversely affected . . profits for the first half-year are likely to be below earlier expectations." Tiphook, the container leasing and trailer rental company, was also affected by the warning, sliding 28 to 361p.

Eurotunnel recovered after several days of weakness amid uncertainty over the prospects of the company's rights issue. Sources close to the company said last night that about 25,000 UK shareholders, almost one quarter of the total, had so far agreed to take up their rights. The closing date is Monday next. Eurotunnel rose 12 to 315p, with the ever volatile nil-paid climbing 17 to 70p.

Speculation of TI Group showing predatory interest towards Cookson continued and the latter rose 4 further to 108p. Dawson International, the textile manufacturer, also improved in spite of a mid-term profits shortfall of 27 per cent, although the shares finished below the best at 131p. Mr Khaleeq Taimuri of W.I. Carr said the shares were oversold.

Half-year profits from BPB, the plasterboard manufacturer, brought a mixed reaction from the market. While the figure represented a 40 per cent drop from last year, it was towards the upper end of analysts' projections, and this saw the share price move up to 180p before slipping back to close at 173p, a loss of just a penny.

A sharp downturn in profits in the company's building materials sector is considered consistent with the depressed construction industry as a whole. Price competition in Europe, where the company derives 50 per cent of its turnover, also hit profits.

A pre-interim results assessment by a securities house helped lower Allied Colloids. BZW advised clients to await Tuesday's figures before making purchases, stressing they should focus on the sales numbers and the dividend following the uncertainty created by the statement at the annual meeting. The shares closed 3 off at 113p.

Sears was held back as brokers continued to lower their profits estimates. Laing & Cruickshank cut its current year forecast by £10m to £110m. An analyst at Laing said: "The message from the high street is not very cheerful at the moment." Sears gained ½ at 85½p, having traded up to 87p at one stage.

Hillsdown fell 10 to 257p after Charterhouse Tilney lowered its 1990 and 1991 forecasts. It now estimates profits at £203m for this year, compared with £215m previously, and projects £237m for next year as against a former forecast of £255m. According to Charterhouse, slower profits growth from food processing and in its furniture division are responsible for the downgrading.

Brent Walker continued to weaken in the wake of the further delay to the conclusion of the company's bond issue. The shares shed 19 at one point before closing 15 off at 77p.

A rise in the annual dividend payment at MEPC, the property investment and development concern, and a 17 per cent increase in pre-tax profits for the year were viewed with some encouragement in a sector currently suffering from the effects of an economic slowdown. The company stressed its strong balance sheet and net gearing of 42 per cent as positive factors. However, the net asset value per share was reduced, and the company warned that rates of profit growth achieved recently are unlikely to be repeated in the forthcoming year. The share price finished just a penny higher at 504p.

A warning of a "considerable downturn in sales during November" as a result of difficult conditions in the construction vehicle and automobile industries sent Castings down 12 at 78p. The company reported higher interim profits, but said it was difficult to forecast the full year outcome.

Sidlaw increased 7 to 126p after viewing 1991 prospects as encouraging and announcing the acquisition of MCG Venus Packaging from Wassall. Sidlaw's annual profits were slightly lower than the previous year but were in line with expectations. Wassall picked up 3 to 135p.

A call on shareholders for funds of £2.4m through a rights issue put Harvey & Thompson lower at 255p before a recovery to 265p, down 15 on balance.

News that armed forces in the Gulf had been placed on alert in anticipation of Iraqi military action underpinned both the crude oil price and leading oil sector shares. Shell climbed 5 to 464p, BP added 3 at 345p, Ultramar firmed 2 to 342p and Enterprise closed 4 better at 643p. Turnover was light.

South West Water added just a penny at 254p after a jump in half-year profits to £46.4m from £17.8m and a 6.7p interim dividend. The company said its operational and financial performance is well on course, including investment of £1.4bn to improve customer services over the next 10 years.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (16).
BRITISH FUNDS (2) BUILDINGS (2) ELECTRICALS (1) INDUSTRIALS (2) Apollo Metals, Kalon, TRUSTS (4).
NEW LOWS (92).
BANKS (1) BUILDINGS (4) STORES (4) ELECTRICALS (12) ENGINEERING (5) HOTELS (1) INDUSTRIALS (16) American Business Systems, Bioplan, Brown & Tawse, Cathay Pacific, Christies Int'l., Mayborn, Norfolk House, Porter Chadburn, Porth, Proudfoot (A.), Scottish Heritable Trust, Sterling Inds., Third Mile, Tubular Edgington, Westerly, Wilkes (J.), LEISURE (3) MOTORS (1) PAPERS (7) PROPERTY (8) TRANSPORT (2) TRUSTS (29) OILS (2) OVERSEAS TRADERS (2) MINES (6).

APPOINTMENTS

Moves at United Biscuits

■ UNITED BISCUITS has reorganised the group's central functions.

The moves follow the appointment of Mr Eric Nicoli as chief executive from January 1, and Mr John Warren as group finance director, succeeding Mr James Blyth who is retiring. Mr Robert Clarke continues as chairman, but hands over his chief executive role to Mr Nicoli. Mr Frank Knight retires as deputy chief executive, but continues on the board until next spring.

Mr Terry Stannard has been appointed managing director, group development operations, responsible for activities outside Europe and the US, and for group research and development. Mr Andy Green becomes managing director of European services.

Other appointments include Mr Ian Chambers as group business planning director, Mr John Bradbury as group director of commodities and corporate affairs, Mr Mike Doyle as group research and development director, and Mr Alan Riley as director of corporate communications.

Mr Lochy Maclean becomes director of management resources and group services.

■ Mr Harold Wienand has been appointed a director of DOLLOND & AITCHISON GROUP. He continues as a director of parent company Gallaher.

■ Following the acquisition of Hamptons by BRISTOL & WEST BUILDING SOCIETY, Mr Bernard Doyle has been appointed director of management services at Hamptons and joins its executive board. He was director of public sector operations at MSL International.

■ Mr Mark Carpenter has been appointed a director of TOUCHE REMNANT PROPERTY SERVICES and Touche Remnant Investment Management. He was a partner with Rohleder Lumby.

■ Ms Rosalind Hedley-Miller has been appointed a non-executive director of TV-AM. She is a director of Kleinwort Benson, the company's financial adviser.

■ Following the merger of the Murray Lawrence Group and BPC Holdings Mr D.T. Carey and Mr G.C.F. Palmer have been appointed directors of MURRAY LAWRENCE HOLDINGS; Mr Carey and Mr I. Macnabb, directors, Murray Lawrence & Partners; Mr K.P. Collins and Mr Macnabb, directors, Murray Lawrence Members Agency; Mr P.N. Archard and Mr A.P. Bartleet, directors, BPC Underwriting Agencies; Mr W.R.P. Sedgwick Rough and Mr A.J. Smithson, directors, BPC Members Agency.

Chairman of Ulster TV

■ Mr John B. McGuckian, deputy chairman of ULSTER TELEVISION, has been appointed chairman in succession to Dr Brum Henderson who will retire but remain on the board, and continue to represent the company on the board of Ulster Cablevision.

Mr McGuckian is a pro-chancellor of Queen's University, chairman of the International Fund for Ireland, and deputy chairman of Laganside Corporation. He is a director of Allied Irish Banks, Unidare, and ICG.

■ Mr P.J. Hubert has been elected chairman of LLOYD'S AVIATION UNDERWRITERS' ASSOCIATION. Mr J.A. Westcott has been elected deputy chairman.

■ Mr David Miller has been appointed projects director for HAYWARD TYLER, Luton, manufacturer of pumping and control equipment for power generation and offshore fire protection. He was sales and marketing director.

■ Mr Andy Ferguson has been appointed managing director of TONKA (UK), Maidenhead, with responsiblity for Holland and Scandinavia. He has been with Tonka since 1982.

■ RELIANCE SECURITY GROUP has appointed Mr John Goldsworthy as marketing director. He was with Racal.

■ Mr John Mercer has been appointed group finance director of J. ENGLAND GROUP. He was an audit manager and senior management consultant with KPMG Peat Marwick McLintock.

■ Mr Brian Sperryn has been appointed sales director of STANDARD MACHINERY, a Halma division.

Mr Bob Gill *(pictured)* has been appointed assistant general manager (collection services) at BIRMINGHAM MIDSHIRES BUILDING SOCIETY. The new post brings together the transfer services, litigation, and arrears departments. He was regional manager (south).

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
99	97 7/16	Treas 11¼pc 1991	99	.....	11.79	13.79
98	92 7/16	Funding 5¾pc '87-91‡‡	98	.....	5.84	10.56
97	89¾	Treas. 3pc 1991	97	.....	3.08	9.10
99	94	Treas 10pc Cv '91 ‡‡	99	.....	10.09	11.52
99½	94	Exch. 11pc 1991	99½	.....	11.06	11.46
97	90	Treas. 8pc 1991	97 xd	.....	8.24	11.04
101	97	Treas 12¾pc 1992‡‡	101	.....	12.58	11.38
98⅝	92¾	Treas 10pc 1992	98	.....	10.16	11.33
96	89¼	Treas 8pc 1992 ‡‡	96	+	8.31	11.02
99	93	Treas 10½pc Cv 1992‡‡	99	+	10.60	11.23
93	82	Treas. 3pc 1992	92 xd	.....	3.23	8.13
101	95	Exch 12¼pc '92	101	+	12.09	11.29
104	98	Exch 13½pc 1992	103	.....	13.04	11.17
94	86¾	Treas 8¾pc 1993	94½	+	8.73	10.95
98	90¼	Treas 10pc 1993‡‡	97¾	+⅛	10.23	11.02
103	96	Treas 12½pc 1993‡‡	102	+⅛	12.15	11.09
92	82	Funding 6pc 1993‡‡	91	.....	6.53	9.52
107	99½	Treas 13¾pc 1993‡‡	106	+	12.91	11.05
93	84¾	Treas. 8½pc 1994	93½	+	9.09	10.92
111	102	Treas 14½pc 1994‡‡	109	+	13.19	10.76
107⅝	99¼	Exch 13½pc 1994	107	+	12.61	10.90
98	88	Treas 10pc Ln. 1994‡‡	97 xd	+	10.25	10.78
105	96	Exch. 12½pc 1994	104	+	11.96	10.92
94½	85	Treas 9pc 1994‡‡	94	+	9.57	10.79
104	94	Treas 12pc 1995	103	+	11.59	10.82
87	73	Exch 3pc Gas 90-95	87	+½	3.45	8.03
98	88	Exch. 10¼pc 1995	97	+⅛	10.51	10.87

Five to Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
108	97	Treas 12¼pc 1995‡‡	107	+	11.91	10.82
112	101	Treas 14pc '96	110	+	12.67	11.21
93	82	Treas 9pc 1992-96‡‡	92	+	9.68	10.73
119	107	Treas 15¼pc 1996‡‡	116	+	13.12	11.15
110	99	Exch 13¼pc 1996‡‡	108	+¼	12.20	11.07
96	85½	Conversion 10pc 1996	95	+	10.43	10.92
112	98	Treas 13¼pc 1997‡‡	109	+	12.13	11.07
99	87	Exch 10½pc 1997	97	+	10.73	10.92
91	79	Treas 8¾pc 1997‡‡	90	+	9.72	10.80
121	106½	Exch 15pc 1997	117	+	12.74	11.14
95	83½	Exch. 9¾pc 1998	94	+	10.34	10.89
81	70	Treas 6¾pc 1995-98‡‡	81	+	8.26	10.42
126	110	Treas. 15½pc '98	122	+	12.65	11.07
107	93	Exch. 12pc 1998	105	+	11.41	11.00
95	82	Treas 9½pc 1999‡‡	92	+	10.22	10.80
109	94	Exch. 12¼pc 1999	106	+	11.51	11.03
99	85	Treas. 10½pc 1999	97	+	10.75	10.90
98	84	Conversion 10¼pc 1999	96	+	10.67	10.92
92	78	Conversion 9pc 2000‡‡	89	+	10.02	10.76
114	98	Treas. 13pc 2000	110	+	11.74	11.11
97	82	Treas 10pc 2001	94	+	10.58	10.88
117	102	Treas. 14pc '98-01	113	+	12.29	11.18
96	81	Treas 9¾pc 2002	92	+	10.54	10.85
119	102	Treas. 13¾pc 2000-03	114	+	11.98	11.19
99	82	Treas 10pc 2003	94	+	10.59	10.78
94	91	Treasury 10pc 2003 "A"	94	+	10.59	10.78
106	90	Treas. 11½pc 2001-04	102	+	11.21	11.07
56	45	Funding 3½pc '99-04	53	+	6.49	9.65
96	79	Conversion 9½pc 2004	90	+	10.45	10.73
96	79	Conversion 9½pc 2005	91	+	10.44	10.71

Over Fifteen Years

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
117	98	Treas. 12½pc 2003-05	111	+	11.26	10.87
84	69	Treas. 8pc 2002-06‡‡	79	+	10.05	[illegible]
111	93	Treas. 11¾pc 2003-07	105	+	11.10	[illegible]
89	73	Treas 8½pc 2007‡‡	84	+	10.12	[illegible]
125	105	Treas. 13½pc '04-08	118	+	11.42	[illegible]
94	77	Treas. 9pc 2008‡‡	88	+	10.20	[illegible]
85	69	Treas 8pc 2009	79	+	10.01	[illegible]
94	77	Conv 9pc Ln 2011‡‡	87	+	10.23	[illegible]
63	50	Treas. 5½pc 2008-12‡‡	58	+	9.39	[illegible]
83	67	Treas. 7¾pc 2012-15‡‡	76	+	10.14	[illegible]
122	100	Exch. 12pc '13-'17	113¾ xd	+	10.60	[illegible]

Undated

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
41	33	Consols 4pc	37	+	10.68	
36	29	War Loan 3½pc‡‡	33 xd	+	10.49	
61	53	Conv. 3½pc '61 Aft	58	+	6.03	
32	26	Treas. 3pc '66 Aft	28	+	10.62	
25	20	Consols 2½pc	23	+	10.58	
25½	20	Treas. 2½pc	23	+	10.67	

BRITISH FUNDS—Contd

Index–Linked

1990 High	1990 Low	Stock (b)	Price £	+ or –	Yield (1)	Yield (2)
126	110¼	Tr. 2pc '92‡‡ (97.8)	126	+⅛	1.82	3.86
116	103¼	Do. 2 '94 (102.9)	116	+⅛	3.00	3.77
171	150¼	Do. 2pc '96 (67.9)	170⅝	+	3.19	3.66
139	123½	Do 2½pc '01 (78.3)	139	.....	3.83	4.11
135	119¾	Do. 2½pc '03 (78.8)	135	+	3.91	4.16
136	122	Do. 2pc '06 (69.5)	136¾	+⅛	4.02	4.22
126⅛	113	Do. 2½pc '09 (78.8)	125	+⅛	4.03	4.22
130⅛	117¼	Do. 2½pc '11 (74.6)	129	+	4.04	4.21
107¾	97⅝	Do. 2½pc '13 (89.2)	107	+	4.03	4.19
115¼	105	Do. 2½pc '16 (81.6)	115	+⅛	3.99	4.14
113	102¼	Do. 2½pc '20 (83.0)	111	+⅛	3.97	4.10
95¼	86	Do. 2½pc '24‡‡ (97.7)	93¼	+⅛	3.91	4.04

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1990: 121.4 and for October 1990: 130.3.

INT. BANK AND O'SEAS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
100⅝	84	African Dv Bk 11¼Ln 2010	94¼	+	11.74	11.81
98¾	80	Asian Dev Bk 10¼pcLn2009	90	−	11.28	11.44
110	80	Int-Am Dev Bk 12½pc 2003	105	−	11.84	11.66
91¾	76	Do. 9¾pcLn 2015	85⅝	+	11.39	11.52
110	55	Utd. Mexican States 16½pc 2008	109	.....	15.14	14.90

CORPORATION LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
104	86½	Birmingham 11½pc 2012	98½	.....	11.68	11.70
93½	84½	GLC 6¾pc 1990-92	93½ xd	.....	7.22	12.50
108½	95	Leeds 13½pc 2006	108½	.....	12.44	12.49
30½	25	Liverpool 3½pc Irred	29	.....	12.07	–
35	24	LCC 3pc '20 Aft.	27	.....	11.11	–
94½	85½	Manchester 11½pc 2007	94½	.....	12.17	12.30

COMMONWEALTH & AFRICAN LOANS

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
206	206	S Rhod 2½pc Unasntd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
109	99½	B'wide Anglia 3¾pc Ln 2021	103¼	.....	4.91	5.28
109	99½	Do. 4.25pcIL '24	105¼	.....	4.80	4.95

Public Board and Ind.

1990 High	1990 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
55	41	Met. Wtr. 3pc 'B'	53	.....	5.66	9.50

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro FI5	£9	.....	Q28%	2.1	8.9	5.3
303	135	ANZ SA1	135	–9	Q38c	♦	11.2	♦
233	172	Abbey National 10p	223½	–4½	5.7	4.3	3.4	9.1
274	128	Allied Irish Ord	148xd	–1	tQ40%	3.3	6.1	6.7
85	47	Anglo Irish	57	.....	Q17.9%	♦	7.3	♦
93	61	Ansbacher (H.) 1p	61	.....	2.5	1.3	5.5	17.6
£71⅛	£32	Bancaire Cie Fr100	£47	–⅛	MQ12½%	–	2.8	–
£22⅛	£12⅞	Banco Bilbao Viz	£12⅞	.....	Q49.1%	2.7	6.2	8.8
286	130	Bank Ireland Ir£1	148xd	–1	Q14.7%	2.9	8.9	5.2
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	t15.0	–	5.7	–
129½	100	Bank Scotland	113	.....	t4.55	3.4	5.4	7.2
100¼	83¾	Do 9¼pc Irrd Pf.	98¼	+1½	9¼%	–	12.5	–
54	39	Bank of Wales	42	.....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	364	–18	tu19.57	3.5	7.2	5.0
22	10	Benchmark 20p	11	.....	0.75	–	9.1	–
335	223	Brown Shipley £1	224	.....	‡12.0	2.2	‡	7.1
435	285	Cater Allen £1	382xd	.....	F24.5	–	8.6	–
179	29	Chancery	39	.....	t9.0	2.7	‡	1.6
£23¼	£14	Commerzbk DM10	£15⅝	+¼	Q18%	–	4.0	–
£13¼	620	Dai Ichi K Bk Y50	719	.....	Q17%	6.2	0.5	33.9
£313⅜	£189	Deutsche Bk DM50	£204⅞	–⅞	Q28%	–	2.3	–
£20⅞	£14⅝	Espirito Santo	£16	+⅛	Q75c	5.1	2.4	8.2
253	166	First Nat. Fin 10p	189	–1	13.0	2.1	9.2	6.5
121	82	FNFC 6.3pc Cv. Pf.	96	.....	6.3%	–	8.7	–
£13¼	633	Fuji Bank Y50	814	–33	tQ17%	6.9	0.4	34.6
325	262	Gerrard & National	312	.....	19.0	–	8.1	–
154	80	Guinness Mahon 10p	80	.....	1.45	♦	2.4	♦
328	194	Hambros 20p	235	.....	t11.5	–	6.6	–
128	88	Do 7.5pc Cv Pf.	97	.....	7½%	–	10.3	–
53½	29	HK & Shang. HK$2.50	30½	+½	HQ38c	–	8.4	–
478	373	Joseph (Leo) £1	373	.....	15.85	–	5.7	–
150	105	King & Shaxson 20p	125xd	.....	10.25	–	10.9	–
422	262	Kleinwort Benson Grp	283	–4	16.0	2.5	7.5	6.7
642	316	Kyowa Bank Y50	384	–10	Q14%	♦	0.8	♦
316	220	Lloyds £1	281	–14	t13.3	2.6	6.3	6.6
56	44	Lon. Scot. Bank 10p	48	.....	t2.4	1.9	6.7	9.5
404	176	Midland £1	194	–3	t18.0	2.6	12.4	4.0
£14½	£10	Mitsubishi Bank Y50	£10	.....	tQ17%	♦	0.3	♦
£12¼	£4¾	Mitsubishi Tst & Bk Y50	£5¼	.....	Q17%	12.4	0.6	13.7
£10⅜	£4	Mitsui Taiyo Kobe Y50	£6¼	+⅛	tQ16%	6.0	0.5	34.1
904	410	Mitsui Tst & Bk Y50	497	–4	Q17%	♦	0.7	♦
326	220	Nat Aust. Bk. A$1	227	–6	Q55c	♦	9.7	♦
368	227	NatWest £1	269	–16	t16.7	3.3	8.3	4.9
£210	£115	Ottoman Bank	£115	.....	Q110%	2.8	9.6	3.7
55	26	Rea Bros. Group	28	.....	0.5	3.2	2.4	14.0
227	119	Royal Bk. Scotland	149	–5	8.4	q2.5	7.8	6.8
795	338	Saitama Bank Y50	382	–3	♦Q14%	♦	0.7	♦
£12¼	567	Sanwa Bank Y50	711	.....	Q17%	6.7	0.5	31.2
902½	613	Schroders £1	688	.....	h12.5	5.9	2.4	9.3
712½	413	Do. £1 N/V	468	.....	h12.5	5.9	3.6	6.3
£25¼	£9¼	Sec. Pacific $10	£11	–⅛	Q$2.52	–	11.3	–
616	236	Standard Chartd. £1	267	–1	35.0	1.4	17.5	(5.0)
£16¼	£5¾	Sumitomo Bank Y50	£6¾	.....	tQ16%	7.5	0.5	28.0
£11	£4	Sumitomo Tst & Bk Y50	£5⅞	–⅛	Q17%	6.9	0.6	24.9
147	114	TSB	140	.....	t5.8	2.5	5.5	9.1
175	117	TSB Bank Ch'nel Is'l	117	.....	t06.7	3.5	5.7	5.8
£463	£4¼	Tokai Bank Y50	£4⅞	–⅛	Q16%	4.1	0.9	34.9
920	484	Toyo Tst & Bk Y50	641	–27	HQ15.2%	6.9	0.5	28.7
611	499	Union Discount £1	581	.....	33.0	–	7.6	–
525	284	Warburg (S.G.)	328xd	–1	15.0	3.0	6.1	7.4
180	98	Do 6pc Cnv Prf	112	.....	6%	–	7.1	–
279	147	Westpac SA1	155	–7	Q52.5c	♦	13.8	♦
420	303	Wintrust 20p	303	.....	8.7	4.2	3.8	8.4
969	509	Yasuda Tst & Bk Y50	594	–5	Q17%	♦	0.6	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
175	40	CLF Yeoman 50p	50	.....	Q18.5%	3.3	17.5	2.4
71	48	Cambridge Grp Ir5p	50	.....	tQ7½%	15.6	0.6	12.1
55	11	Capital Leasing Ir10p	36½	.....	♦Q17%	3.5	2.9	9.0
68	50	Cattle's (Hdgs) 10p	56	.....	t3.8	1.9	9.4	8.0
426	362	Prov. Financial	409	–9	r20.5	2.1	6.7	9.4
232	134	Reflex Invs Ir5p	137	.....	tqQ51%	7.9	1.7	10.1
225	192	Secure Trust Grp. 1p	197	.....	t8.5	2.8	5.8	8.3
210	135	Woodchester IR20p	160	–2	tQ16.7%	5.9	1.9	11.9

BEERS, WINES & SPIRITS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
520	408	Allied-Lyons	480	–2½	t16.95	2.3	4.8	10.2
£26¼	£18	Anheuser-Busch $1	£20	+⅛	Q$1.00	–	2.5	–
1128	895	Bass	1021	.....	r28.3	3.5	3.7	10.1
170	129	Boddington	129	.....	t5.1	2.3	5.3	10.9
206	161	Bulmer (H.P.) 5p	192	.....	7.65	1.6	5.3	14.4
227	135	Burtonwood Brewery	136	.....	3.98	3.1	3.9	9.9
400	290	Clark (Matthew)	338	+1	13.5	2.7	5.3	9.2
236	115	Devenish (J.A.) 5p	132	–1	t4.65	3.1	4.7	8.1
275	85	Do 4.5pc Cv 2ndPf	95	–5	4½%	–	6.3	–
[illegible]								

BUILDING, TIMBER, ROADS

[illegible]								

BUILDING, TIMBER, ROADS – Contd

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
111	79	Tay Homes	103	–1	4.8	5.4	6.2	4.0
325	183	Taylor Woodrow	228	–1	t9.0	2.3	5.3	10.4
665	415	Tilbury Group	506	.....	t32.0	2.7	8.4	5.9
75	37	Torex Hire 10p	40	.....	2.4	2.3	8.0	7.5
217	150	Travis Perkins 10p	193	+2	8.0	2.2	5.5	10.9
111	50	Try Group	50	.....	6.0	2.4	16.0	3.5
41	25	Tudor 20p	25	.....	2.7	1.8	14.4	4.5
325	193	Turriff Corp.	193	–10	15.0	3.4	10.4	3.4
63	4	Venture Plant Grp. 5p	4	–3	‡3.25	1.0	‡	1.0
172	71	Vibroplant 5p	74	+1	3.6	4.6	6.6	4.4
355	113	Ward Group 5p	135	+5	7.2	4.2	7.1	4.4
95	48	Ward Hldgs. 10p	65	.....	2.6	3.3	5.3	7.7
447	315	Watts Blake	415	–2	t8.6	3.1	2.8	15.2
98	27	Wescol Group 10p	30	.....	u4.5	2.0	20.0	2.7
233	121	Westbury 10p	180	.....	9.0	2.2	6.7	9.2
125	55	Westminster Scaffldg 10p	55	.....	t15.0	1.8	12.1	6.2
91	32	Wiggins Group	38	.....	–	–	–	–
349	240	Wilson Bowden 10p	346	–1	t7.6	5.0	2.9	9.0
181	141	Wilson(Connolly)	171	.....	t5.45	5.0	2.7	9.8
267	163	Wimpey (Geo)	209	–2	10.5	2.1	6.7	9.3

CHEMICALS, PLASTICS

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£46⅜	£19¼	Akzo Fl.20	£20	.....	Q40%	2.7	11.7	3.1
173	107	Allied Colloids 10p	113	–3	3.2	3.2	3.8	11.0
65	46	Amer Plastic Tech 1c	48	.....	Q2.5c	2.8	2.6	13.5
401	245	Amersham Intl	319xd	–1	11.8	3.0	4.9	7.4
65	5	Astra Hldgs	10½	.....	–	–	–	–
£115¼	£62	BASF AG DM50	£69	–⅛	Q26%	2.5	6.3	6.4
178	128	BTP 10p	154	–1	g7.85	1.8	6.8	10.2
£118	£66¼	Bayer AG DM 50	£71	+2	Q26%	2.5	6.1	6.6
194	132	Blagden Inds.	142	.....	t9.1	1.6	9.5	8.4
167	125	Brent Chems 10p	139	+1	t6.8	1.8	6.5	10.0
234	35	Caird Group 10p	38	–1½	23.54	–	12.4	–
148	37	Do. 7p Cv Pf 2009 10p	45	+2	7.0	–	20.7	–
17	6	Cambridge Isotope 1c	15	.....	–	–	–	–
239	88	Canning (W.)	112	.....	t7.15	2.3	8.5	6.0
199	139	Croda Int. 10p	158	–3	11.0	1.5	9.3	8.4
88	71	Doefler 10p	71	.....	4.02	2.6	7.5	6.9
232½	157	Ellis & Everard	157	–3	7.0	2.5	5.9	8.6
1350	882	Engelhard US$1	902	–3	Q68c	–	3.8	–
20	15	European Colour 5p	15½	.....	0.6	0.7	5.2	(44.9)
159	93	Evode Group	109	.....	t6.04	1.8	8.1	7.2
[illegible]								

DRAPERY AND STORES

[illegible]								

ELECTRICALS

[illegible]								

ELECTRICALS – Contd

[illegible]								

ENGINEERING

[illegible]								

ENGINEERING – Contd

[illegible]								

FOOD, GROCERIES, ETC

[illegible]								

HOTELS AND CATERERS

[illegible]								

INDUSTRIALS (Miscel.)

[illegible]								

INDUSTRIALS (Miscel.) – Contd

[illegible]								

INSURANCES

[illegible]								

LEISURE

[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]								

Commercial Vehicles

[illegible]								

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MOTORS, AIRCRAFT TRADES — Contd

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY — Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST — Contd

[illegible]

INVESTMENT TRUST — Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

For York Trust see Babcock Prebon

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
		Tins					
35	25	♥Ayer Hitam SM1...	25	.	ttQ53.3c	0 7	–
75	45	Gopeng Berhad M$0 50	45		Q11c	2 6	4 6
67	27	Malaysia Mng 10c	29	.	Q7c	2 3	4 5
160	130	Petaling SM1	130		Q180c	–	26 0
90	90	Tanjong Tin 15p	90xd		–	–	–
		Miscellaneous					
190	85	Anglesey Mining 9p .. y	88	. .	–	–	–
110	7	Do Warrants y	7		–	–	–
17	4½	Anglo-Dominion .	6	..	–	–	–
651	196	Bond Intl. Gold	203	+7	–	–	–
37	12	Butte Mining 10p y	13		–	–	–
44	4	♥Colby Mines... .	4¼	−¼	–	–	–
122	25	Cons Murch 10c	25	.	030c	5 5	–
26	3	♥DR< Inc	3		–	–	–
24½	6½	♥Ennex Int. Ir10p . y	7	−½	–	–	–
98	20	Europa Minerals 2p . y	26	+2	1 0	–	5 1
86	25	Geevor.... .. . . y	25	.	–	–	–
43	13	Greenwich Res .... β	16		–	–	–
£10⅛	£4⅞	♥Hemlo Gold Mines...	£4⅝	.	$020c	–	2 0
£14⅞	£8½	Homestake Mining $1	£8¾	+⅛	020c	–	1 2
49½	13	§Kenmare . .... y	14		–	–	–
20¼	7	♥New Sabina Res C$1 .	10¾	−⅛	–	–	–
457	57	Northgate Expl C$1.	70	+1	5–	–	–
39¾	3½	♥Nor-Quest Res .. .	3½	.	–	–	–
255	90	Oryx Gold Hldgs. ..	169	. . .	–	–	–
93	42	Plateau Mining 20p y	44	..	–	–	–
605	392	RTZ 10p..... α	430	−12	†18 5	2 5	5 7
14	4⅛	♥Thorco Res Inc ‖ . .	5¼	... .	–	–	–
18	5	Vizcaya Hldgs 5p y	10	. ..	–	–	–
178	136	♦Young Group 10p y	136	.	†7.8	2 7	7 6

THIRD MARKET

1990 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
30	5	Analysis Hldgs 20p... y	5	..	–	–	–	–
53	28	Andaman Res 10p y	46	.	–	–	–	–
20½	10½	Automobiles of Dist. 5p .. α	11½	.	♦	–	–	–
1½	0¼	Barbican Hldgs 1p y	1	−¼	–	–	–	♦
45	31	Biocure 1p.. .... ..y	40	.	–	–	–	–
18	7	Burmin Exploration y	7½	−½	–	–	–	–
225	205	Cafe Ions £1.	220	. .	n	–	–	15 8
22	10	Caldwell Invs. 10p ..y	10	..	–	–	–	–
16½	10½	Caspen Oil 10p . y	14	...	–	–	–	♦
25	16	Celtic Gold. .. .... y	18	−1	–	–	–	–
95	36	Chelsea Artisans 5p . y	36	..	–	–	–	–
24	6	ChemEx Intl. . ...y	14		–	–	–	–
215	90	Citybond Storage Serv .	90	.	–	–	–	–
23	10½	Dana Corp .	12½	..	–	–	–	–
22	9	Edencorp Lecure 5p. y	12xd		a0 38	5 1	4 2	4 9
65	30	Eglinton Expln. Ir 50p. y	30	..	–	–	–	–
16	2	Do Wrrnts . . . y	2	.	–	–	–	–
18	5	Far East Res 10p	6	. ....	–	–	–	–
125	105	Fast Forward Invs	105	. .	–	–	–	–
45	4½	Feltrim Min Ir0 20	4½	.	–	–	–	–
55	23	Gleocar Expln... y	25	+2	–	–	–	–
		For Haemocell see INDUSTRIALS						
60	23	Hartley Baird 5p y	23	...	0 75	5 9	4.3	4 5
100	65	Hilclare 5p. . ... y	70	.	1 0	7 9	1.9	8.7
43	26	Image Store Hldgs 10p. y	26		–	–	–	–
62	22	Ivernia West y	41	.	–	–	–	–
97	46	Kells Mins. Ir5p ...y	50	..	–	–	–	–
33	6	Kemp (P.E.) 5p. y	6	. . .	‡0 5	–	‡	–
398	218	M.L Labs 1p . . y	218		–	–	–	–
6¼	3½	Moray Firth 1p .y	3½		–	–	–	–
45	19	Navan Resources y	19	.	–	–	–	–
57	20	Ovoca Gold IR 2p .y	25	+2	–	–	–	–
72	21	Oxford Virology 5p...y	21	. . .	–	–	–	–
83	61	Poddington 5p.. ..	77#	.	–	–	–	–
118	65	Ramsden's (Harry)... y	70	.	L4 5	1 1	8 6	13 8
60	24	Rentaminster 5p .. y	24		–	–	–	–
38	6	Semperoova .. .. . y	6		–	–	–	1 3
36	15	Sleepy Kids 5p. .. y	15	..	–	–	–	–
3½	1¾	Systems Connections y	1¾	...	–	–	–	–
94	46	Tomorrows Leisure 20p y	48	..	1 0	4.4	2.8	8 7
55	27	UPL Group 10p ....y	32	...	–	–	–	–
89	16	Video Magic Leis 1p y	16		–	–	–	–
6¼	2¼	Vista Ents 5p. .. y	2½	. . .	–	–	–	–
5½	1¼	Wilton Group 1p y	1¼	. ....	–	–	–	4 2

NOTES

Stock Exchange dealing classifications are indicated to the right of security names. α Alpha β Beta, γ Gamma.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- ‡‡ Not officially listed.
- \# Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue, cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♠ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend, cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 . y	700xd	....
Finlay Pkg. 5p . y	36	... ..
Holt (Jos) 25p . y	1305	......

IRISH

Cap 8½% Ln 1991	£98¼	..
9pc Cap Ln. 1996	£94¼	+½
Fin 13% 97/02. .	£110½	..
Arnotts	167½xd	....
Carrol (P J.) ...	154	.
Helton Hldgs. . .y	37½	.
IRG	140	
United Drug ..	133	. .

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	45
BOC Grp	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit Telecom	22
Cadburys	26
Charter Cons	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¼
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl. Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property	
Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils	
Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines	
Lonrho	21
RTZ	40

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AUTHORISED UNIT TRUSTS

Matheson Unit Trust Managers Ltd (1200)H
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
SE Asia	6	38 93	38 93	41.64	-0.14	2.74
UK Growth (4-1)	6	58 52	58 52	62.59	-0 08	3 99
UK High Income	6	30 69	30.69	32 82	-0.20	6.15

Mayflower Management Co Ltd (1200)F
PO Box 249, Beckenham, Kent BR3 4WA 081-663 3111

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	303 5	303.5	322.9	+0 2	5.53
Global Inc	5	41.97	41.97	44.64	+0.1	5.37
Brit Leaders	5	241.2	241 2	256 6	+0.4	4.26
Intl Leaders	5	121 0	121.0	128.7	+0 6	3 16

Medical Investments Ltd (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5½	43 96	43 96	48.11	-1.88	.34

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 071-280 2060

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5	105 0	105 2	112.3	+1.90	0 91
(Accum Units)	5	112.1	112 4	119.9	+1.90	0 91
American Income	5	31 01	31.01	33.00	+0.27	9.07
(Accum Units)	5	41.33	41.33	43.99	+0.36	9.07
American Sm Cos	5	38 28	38.28	40.84	+0 71	0 00
(Accum Units)	5	38 80	38.80	41.39	+0 71	0.00
British Blue Chip	5	52.47	52.59	56.10	-0.32	3.16
(Accum Units)	5	57.75	57 89	61.75	-0.35	3.16
Cash	0	102.2	102.3	102.3	+0.10	14.20
(Accum Units)	0	107.6	107 7	107.7	..	14.20
European Growth	5	145.6	145 6	154.6	-0.30	1.03
(Accum Units)	5	154.5	154.5	164.2	-0.30	1.03
European Income	5	61.08	61.08	64.91	+0.02	5.03
(Accum Units)	5	71.24	71.24	75.70	+0.02	5.03

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc	5	56.96	56.01	59.59	+0.30	1.73
NPI American Dist	5	52 65	52.70	56.06	+0.28	1.73
NPI European Acc	5	62.40	62.91	66.93	+0 02	0 74
NPI European Dist	5	61.43	61.93	65.88	+0.02	0.74
NPI Far East Acc	5	88 90	89.48	95.19	-1.25	0.36
NPI Far East Dist	5	88 27	88 84	94.51	-1.24	0.36
NPI O'seas Acc	5	734.3	738.2	785.3	-1.50	1 51
NPI O'seas Dist	5	574 1	577.2	614 0	-1.10	1 51
NPI UK Acc	5	415.8	419.4	446.2	.....	5.07
NPI UK Dist	5	231.0	233 0	247.9	.....	5.07
NPI W'wide Acc	5	58 12	59.13	62.90	-0 01	0.58
NPI W'wide Dist	5	55 92	56.88	60.51	-0.01	0.58

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

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OTHER UK UNIT TRUSTS

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GUERNSEY (REGULATED)

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar up ahead of UN vote

GROWING FEAR of conflict in the Gulf and fading expectations of an early cut in US interest rates pushed the dollar up yesterday.

The currency advanced ahead of last night's vote of the United Nations security council. It was expected that the UN would approve a resolution authorising the use of force against Iraq unless it withdraws from Kuwait by January 15.

Wednesday's comments by Mr Alan Greenspan, chairman of the US Federal Reserve Board, also lent support to the dollar. He appeared to be against a further easing of US monetary policy in the near term.

Figures on US personal income and consumption tended to confirm the sluggishness of the US economy, but had little impact on the dollar.

At the close of trading in London the dollar had advanced to DM1.4960 from DM1.4840; to Y132.30 from Y129.80; to SFr1.2750 from SFr1.2680; and to FFr5.0475 from FFr5.0075. Its index rose to 60.5 from 60.3.

Sterling was steady for most of the day, but weakened in late trading as the dollar met increased demand. The pound's recent recovery, as the period of political uncertainty ended with the election of Mr John Major as UK prime minister, also encouraged profit taking yesterday.

Sterling fell 1.90 cents to $1.9535. It also declined to DM2.9225 from DM2.9275; to FFr9.8600 from FFr9.8775; and to SFr2.4900 from SFr2.5000, but rose to Y258.50 from Y256.00. The pound's index shed 0.1 to 94.5.

Within the European Monetary System sterling remained the weakest currency, but was not under any pressure. The Spanish peseta was steady at the top of the EMS exchange rate mechanism, but the Belgian franc replaced the D-Mark as the second strongest member despite a change in interest rate, differentials between Brussels and Frankfurt. For the first time since January 1974 the three-month Belgian franc Euromarket rate of $9\frac{1}{16}$-$9\frac{1}{8}$ per cent was below the equivalent D-Mark rate of 9¼-9⅛ per cent.

In Paris the D-Mark was fixed slightly higher at FFr3.3770, against FFr3.3763 on Wednesday and in Milan the German currency rose to L751.70 from L750.78 at the fixing.

The Australian dollar rose to 77.25 US cents from 76.90 in London. Earlier in Sydney it fell to 76.50 on news that third quarter gross domestic product data indicated the Australian economy is in recession.

Mr Paul Keating, Australian Treasurer, said that the fall of 1.6 per cent in third quarter GDP indicated that a further cut in interest rates is possible before the end of the year. But dealers said that rising imports and a run-down in stocks suggests that rates have been eased sufficiently. This aided the currency's recovery.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	130.347	-2.46	3.10	43
D-Mark	2.05586	2.05111	-0.23	0.80	17
Belgian Franc	42.4032	42.3528	-0.12	0.68	7
Dutch Guilder	2.31643	2.31379	-0.11	0.68	7
Irish Punt	0.767417	0.768744	0.17	0.39	-6
Italian Lira	1538.24	1541.88	0.24	0.33	-10
Danish Krone	7.84195	7.87212	0.38	0.18	-16
French Franc	6.89509	6.92689	0.46	0.10	-24
Sterling	0.696904	0.700837	0.56	0.00	-11

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.29	Latest	Previous Close
£ Spot	1.9480-1.9490	1.9680-1.9690
1 month	0.84-0.82pm	0.99-0.97pm
3 months	2.40-2.37pm	2.41-2.38pm
12 months	7.48-7.38pm	7.62-7.52pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

Iran	126.00*	63.50*
Korea(Sth)	1391.20 - 1413.65	710.00 - 715.60
Kuwait	N/A	N/A
Luxembourg	60.00 - 60.10	30.70 - 30.80
Malaysia	5.2915 - 5.3040	2.6915 - 2.6935
Mexico	5773.15 - 5778.10	2938.00 - 2939.00
N Zealand	3.2175 - 3.2225	1.6360 - 1.6385
Saudi Ar	7.3485 - 7.4025	3.7490 - 3.7510
Singapore	3.3610 - 3.3685	1.7105 - 1.7125
S.Af (Cm)	4.8915 - 4.8975	2.5040 - 2.5070
S.Af (Fn)	6.6675 - 6.7825	3.4130 - 3.4720
Taiwan	53.45 - 53.55	27.20 - 27.25
U A E	7.2410 - 7.2450	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

Nov 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9530 - 1.9700	1.9530 - 1.9540	0.83-0.81cpm	5.04	2.41-2.38pm	4.90
Canada	2.2750 - 2.2935	2.2765 - 2.2775	0.35-0.24cpm	1.55	0.84-0.70pm	1.35
Netherlands	3.2875 - 3.3075	3.2900 - 3.2950	1¼-1⅛cpm	5.24	3⅝-3¼pm	4.33
Belgium	60.00 - 60.60	60.00 - 60.10	24-19cpm	4.30	67-61pm	4.26
Denmark	11.1600 - 11.2425	11.1600 - 11.1700	3⅞-3⅛cpm	3.83	8½-7⅞pm	2.91

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

DM	0.342	0.668	1	88.44	3.373				
YEN	3.868	7.559	11.31	1000.	38.14				
F Fr.	1.014	1.982	2.965	262.2	10.				
S Fr.	0.402	0.785	1.174	103.8	3.960				
H Fl	0.304	0.593	0.888	78.50	2.994	0.756	1	666.3	0.691	18.24
Lira	0.456	0.891	1.332	117.8	4.494	1.135	1.501	1000.	1.038	27.37
C $	0.439	0.858	1.284	113.5	4.330	1.094	1.446	963.5	1	26.37
B Fr	1.665	3.254	4.868	430.5	16.42	4.147	5.484	3654	3.792	100.

Yen per 1,000: French Fr per 10: Lira per 1,000 Belgian Fr per 100

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
97	-	-	-	-	0.61	-
98	1.44	-	-	0.01	0.86	1.40
99	0.49	1.56	2.03	0.05	1.19	1.75
100	0.04	1.03	1.57	-	-	-
101	-	0.65	-	-	-	-
102	-	0.39	-	-	-	-
Open Int	127,315	84,465	12,508	153,417	93,399	10,180

Estimated volume 20,003 Total Open Interest 257,509

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open Int
December	89.93	89.92	-0.03	89.93	89.91	10.08	16,496
March	90.04	90.05	-0.02	90.06	90.02	9.95	16,430
June	90.06	90.08	-	90.09	90.05	9.92	2,144
September	90.01	90.05	+0.02	90.05	90.01	9.98	1,412

Estimated volume 5,510 Total Open Interest 36,482

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int
November	1591.0	1602.0	+3.0	1607.0	1590.0	3,612
December	1600.0	1614.0	+6.0	1617.0	1599.0	6,015
January	1614.0	1618.0	-	1618.0	1614.0	316
March	-	-	-	-	-	210

Estimated volume 6,630 Total Open Interest 10,153

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9535	1.9453	1.9295	1.9103	1.8786

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9616	1.9632	1.9608	1.9636
Mar	1.9390	1.9406	1.9388	1.9416
Jun	-	-	1.9226	1.9236

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm.Bk of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKETS

Short sterling firm

March delivery became the most active short sterling futures contract on Liffe yesterday, as trading settled down following the appointment of the new UK prime minister and his cabinet.

Market volume had moved towards the March contract at the end of last week, but heavy selling of December delivery on Wednesday resulted from the election of Mr John Major as leader of the ruling Conservative party. The new prime minister and his team are regarded as less likely to favour an early cut in rates than perhaps would the other candidates for the leadership election. After Wednesday's bout of selling short sterling prices moved higher yesterday.

UK clearing bank base lending rate 14 per cent from October 8, 1990

March short sterling opened steady at 88.24 and rose to a high of 88.39, before closing at 88.36, compared with 88.25 previously. The December contract climbed to 86.93 from 86.77, and traded consistently above a strong technical support point of 86.66.

Interest rates had a softer tone. Three-month sterling interbank eased to 13⅝-13½ per cent from $13\frac{11}{16}$-$13\frac{9}{16}$, while 12-month money was steady at 12½-12⅜ per cent.

Day-to-day credit was in short supply on the London money market and the Bank of England kept the short end tight by not supplying enough assistance to take out the full underlying shortage. This was forecast at £1,250m, with the authorities giving help of only £1,167m.

An early round of help was offered and at that time the Bank of England bought £341m bills outright, by way of £52m bank bills in band 1 at 13⅞ per cent; £2m Treasury bills in band 2 at 13¾ per cent; and £287m bank bills in band 2 at 13¾-$13\frac{25}{32}$ per cent.

During the morning the authorities purchased another £453m bills, via £15m Treasury bills in band 1 at 13⅞ per cent; £176m bank bills in band 1 at 13⅞ per cent; and £262m bank bills in band 2 at 13¾ per cent. In the afternoon £283m bills were bought, through £265m bank bills in band 1 at 13⅞ per cent and £18m bank bills in band 2 at 13¾ per cent. Late assistance of around £90m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,428m, with a rise in the note circulation absorbing £105m. These outweighed exchequer transactions adding £280m to liquidity and bank balances above target of £5m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.29) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8¼	offer 8⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

(Lunchtime)

		Treasury Bills and Bonds			
Prime rate	10	One month	7.17	Three year	7.71
Broker loan rate	9½	Two month	7.33	Four year	7.87
Fed funds	7⅜	Three month	7.30	Five year	7.95
Fed funds at intervention	-	Six month	7.42	Seven year	8.20
		One year	7.36	10-year	8.30
		Two year	7.58	30-year	8.45

Nov 29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.25-8.50	8.65-8.80	8.70-8.85	8.80-8.95	8.95-9.10	8.50
Paris	10-10⅛	$9\frac{13}{16}$-$9\frac{15}{16}$	$9\frac{13}{16}$-$9\frac{15}{16}$	$9\frac{15}{16}$-$10\frac{1}{16}$	$10\frac{1}{16}$-$10\frac{3}{16}$	9.25
Zurich	7⅝-7⅞	8⅞-9⅛	-	8⅝-8⅞	-	-
Amsterdam	8.56-8.68	8.65-8.70	-	9.00-9.05	-	-
Tokyo	8⅛-8⅜	8⅛-8⅜	-	8⅞-8⅝	-	-
Milan	11⅛-11⅛	14-14	-	13¼-13⅛	-	-
Brussels	6.40	8⅞-9	-	9½-9⅝	-	-
Dublin	10-10⅛	10⅜-10½	$10\frac{7}{16}$-$10\frac{11}{16}$	10⅝-10¾	10⅞-11	-

LONDON MONEY RATES

Nov 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	14½	14½	14⅜	$13\frac{11}{16}$	$13\frac{1}{16}$	12½
Interbank Bid	13½	13⅞	$14\frac{1}{16}$	14½	$12\frac{15}{16}$	12⅜
Sterling CDs	-	-	14⅛	13⅝	13	$12\frac{7}{16}$
Local Authority Deps.	14¼	14¼	14⅛	13⅝	$13\frac{1}{16}$	12½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	14¼	14¼	13¾	13	-	-
Company Deposits	-	-	14¼	13¾	13¼	12⅝
Finance House Deposits	-	-	14⅞	13⅝	13⅛	12½
Treasury Bills (Buy)	-	-	13⅝	12⅞	-	-
Bank Bills (Buy)	-	-	$13\frac{31}{32}$	$12\frac{13}{16}$	12⅛	-
Fine Trade Bills (Buy)	-	-	14⅞	$13\frac{3}{16}$	12¾	-
Dollar CDs	-	-	9.01	8.43	8.29	8.20
SDR Linked Dep. Offer	-	-	9	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8¾	9	$8\frac{13}{16}$	$8\frac{11}{16}$
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10⅞
ECU Linked Dep. Bid	-	-	9⅞	10⅛	10⅛	$10\frac{3}{16}$

Treasury Bills (sell): one-month $13\frac{17}{32}$ per cent; three months $12\frac{23}{32}$ per cent; six months 12¼ per cent; Bank Bills (sell) one-month 13⅝ per cent; three months 12⅞ per cent; Treasury Bills: Average tender rate of discount 12.7493 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1990. Agreed rates for period Dec 26, 1990 to Jan 25, 1991, Scheme I: 14.59 p.c., Schemes II & III: 14.87 p.c. Reference rate for period Nov 30, 1990 to Nov 30, 1990, Scheme IV&V: 13.698 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10½ per cent, one-three months 12 per cent; three-six months 12 per cent; six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

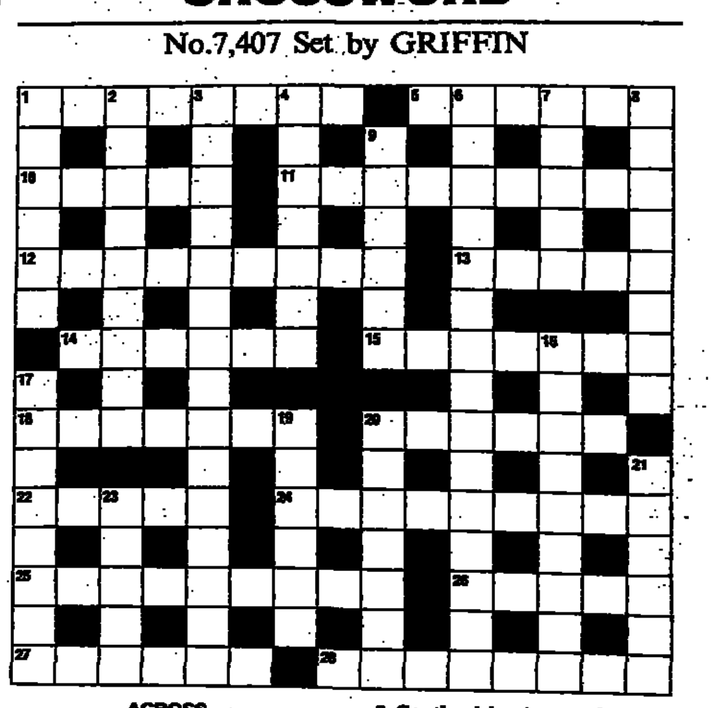
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,407 Set by GRIFFIN



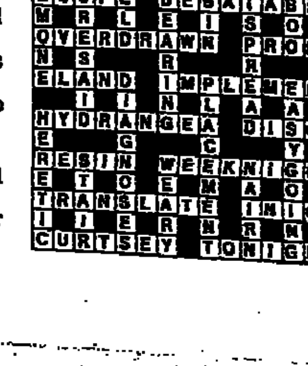
ACROSS

1 Stopped being a criminal? (8)
5 Saw middle out of long rod (6)
10 Ruffle man, having first said "are you cold?" (5)
11 Publicans settle on a cricket ground (9)
12 Hospitals dealt with riot in Arab capital (9)
13 Leading zoo has new bear – it has stripes! (5)
14 Calm journalist was sitting without sweetheart (6)
15 Bit like mug drank at broadcast? (7)
18 Men in uniform want horses brought round home (7)
20 Instrument of moulded clay doctor inserted (6)
22 Ring company accountant about drink (5)
24 Assailant maltreated dogs (9)
25 She has it in health food, in a stew! (9)
26 Machine in former hospital (5)
27 Sign on hospital student is entering (6)
28 Went about a quarter to two, looking angry (8)

DOWN

1 Adjusted fares to Southend once more (6)
2 Story teller working near court (9)
3 Gentle girl cut up nothing at all (5,5,5)
4 General supplies expand (7)
6 Aussie dancing girl? (8,7)
7 Wm. Heath Robinson's heart beat (5)
8 Economises, taking new bus passes round (8)
9 Can't fancy it without it's whole (6)
16 Change outside, Jack, since gypsum's required (9)
17 Friendly taxi takes a long way round (8)
19 Does wrong, putting volunteers in nasty spots (6)
20 Patient rotter admitted finding waterfall (7)
21 Notice about screen engineers losing rise (6)
23 Companion sick with a feverish cold (5)

Solution to Puzzle No.7,406



WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices November 29

Sales	Stock	High	Low	Close	Chng
35600	Cuhl A f	$19¾	19½	19½	− ⅛
7	Cuhl B	$19½	19½	19½	
500	Canamax o	52	52	52	
1000	CanamA f	350	350	350	+ 5
1000	Cara	$14¼	14¼	14¼	− ⅛
5000	Cara A f	$13⅝	13⅝	13⅝	+ ⅛
47000	Carena	$10⅛	10⅛	10⅛	+ ⅛
1100	Celanese	$31⅞	31⅞	31⅞	+ ⅛
8859	Cen Capital	$6¾	6½	6¾	
20871	Gulf Res	$12⅛	11⅞	12	− ⅛
1433	Haley	270	270	270	
2400	Hees Intl	$16¾	16⅝	16¾	
242310	Hemlo	$10⅛	9⅝	10⅛	+ ⅛
7300	Hollingr	$11	10⅞	10⅞	+ ⅛
203880	Horsham f	$9½	9⅛	9⅜	+ ⅛
811	H BayMn s	$5⅝	5⅝	5⅝	+ ⅛
3908	H Bay Co	$19⅝	19½	19⅝	+ ⅛
31738	Imasco L	$27⅞	27⅝	27⅝	− ⅛
580	PanCan P	$31	31	31	
12150	Pegasus	$13	12⅝	13	+ ⅛
4700	PJewl A f	$6¼	6⅛	6⅛	+ ⅛
26000	Pioneer M	4½	4	4½	
274945	Placer Dm	$17¾	17⅝	17¾	+ ⅛
900	Poco Pet	$7⅝	7⅝	7⅝	
20669	Powr Cor f	$15⅛	15⅝	15⅞	
4200	Provigo	$9⅝	9⅝	9⅝	
66020	Ranger	$8⅛	7⅞	8	− ⅛
400	Videotrn f	$11⅝	11⅝	11⅝	− ⅛
2312	WIC B f	$12⅞	12¾	12¾	− ⅛
3125	Weosat E	$21¾	21⅝	21⅝	
1700	Weston	$38½	38⅜	38½	− ⅛
27200	Woodwd A	125	125	125	

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INDICES

NEW YORK

DOW JONES	Nov. 28	Nov. 27	Nov. 26	Nov. 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	2535.15	2543.81	2533 17	2527 23	2999.75 (16/7)	2365.10 (11/10)	2999 75 (16/7/90)	41 22 (2/7/32)
Home Bonds	90.41	90.28	90.24	90.13	93.04 (3/1)	88.44 (24/9)	—	—
Transport	831.18	839.13	835 80	844.12	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.26	209.13	209 88	209.00	236.23 (2/1)	190.96 (24/8)	236 23 (2/1/90)	10.50 (8/4/32)

φDay's High 2564.60 (2562.62) Low 2521.04 (2516 09)

STANDARD AND POOR'S	Nov. 28	Nov. 27	Nov. 26	Nov. 23	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	317.95	318.10	316.52	315 10	368.95 (16/7)	295 46 (11/10)	368.95 (16/7/90)	4 40 (1/6/32)
Industrials	372.84	373.06	371.25	369 71	437.37 (16/7)	346.86 (11/10)	437 37 (16/7/90)	3.62 (21/6/32)
Financial	22.06	22.12	21.81	21.34	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8 64 (1/10/74)
NYSE Composite	173.91	173.87	172.96	172.39	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4 46 (25/4/42)
Amex Mkt. Value	298.97	297.00	295.92	295.90	382.45 (5/1)	288 07 (30/10)	397 03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	355.06	354.05	348.86	349.04	469.60 (16/7)	325 44 (16/10)	485 73 (9/10/89)	54 87 (31/10/72)

	Nov. 23	Nov.16	Nov. 9	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.01	4 09	3 97

	Nov.21	Nov.14	Nov. 7	year ago (approx.)
S & P Industrial div. yield	3.44	3.39	3.55	2.97
S & P Indl P/E ratio	15.29	15.47	14.48	14.25

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
C&S/Sovran Corp	3,157,900	17⅛	+ ⅛
Limited Inc	1,784,800	15	+ ⅛
Texas Insts	1,605,300	31⅞	+ 1
BCE Inc	1,599,900	33½	.....
Philip Morris	1,429,600	48⅝	− ¼
Waste Man	1,347,100	32⅝	+ ⅜
Gen Motors	1,319,300	37⅛	+ ⅛
IBM	1,319,200	112⅛	− 1⅛
Citicorp	1,157,300	12¾	− ⅛
Pepsico	1,151,100	25⅛	− ⅛

TRADING ACTIVITY

† Volume Millions	Nov. 28	Nov. 27	Nov 26
New York	145.490	147.590	131.540
Amex	12.651	13.057	9.485
NASDAQ	128.591	114.600	84.730
Issues Traded	1,994	1,999	1,975
Rises	837	948	788
Falls	656	569	716
Unchanged	501	482	471
New Highs	14	15	4
New Lows	25	37	42

CANADA

TORONTO	Nov. 28	Nov. 27	Nov. 26	Nov. 23	1990 HIGH	1990 LOW
Metals & Minerals	2556.13	2561.37	2554 65	2582.65	3453.05 (4/1)	2486 60 (8/11)
Composite	3144.69	3140.01	3127.58	3118.42	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1669.63	1667.67	1662.96	1661.00	2060 90 (3/1)	1607 24 (16/10)

Base values of all indices are 100 except NYSE All Common − 50; Standard and Poor's − 10, and Toronto Composite and Metals − 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed (u) Unavailable.

	Nov. 29	Nov. 28	Nov. 27	Nov 26	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1338.5	1351 1	1350.3	1355 4	1713 7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	622.9	623 6	624.7	627 4	860 8 (5/1)	622.9 (29/11)
AUSTRIA						
Credit Aktien (30/12/84)	442.75	444 14	448 11	452.16	703.29 (19/3)	400 98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	4994.84	5016 28	5045 52	5075.31	6599 43 (12/1)	4959 99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	324 88	324 94	325 92	326.10	388.29 (20/7)	324.88 (29/11)
FINLAND						
Unitas General (1975)	413 9	413 2	412.8	413.2	677.3 (23/1)	398 9 (24/10)
FRANCE						
CAC General (31/12/82)	424.31	426 00	426.36	433.18	564.62 (30/5)	410 18 (26/9)
CAC 40 (31/12/87)	1607 06	1601.25	1605 92	1607 24	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	618.32	618 99	622.74	631.77	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1754 9	1757 2	1768.3	1795 0	2414.0 (3/4)	1628 7 (28/9)
DAX (30/12/87)	1418.92	1420 62	1415.26	1441.16	1968.55 (30/3)	1334 89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	2978.35	2986.39	2998 94	2995.52	3559.89 (23/7)	2738 24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1215.72	1216 25	1223 47	1236.73	1893.10 (22/1)	1205.35 (16/11)
ITALY						
Banca Com Ital (1972)	500 67	501.40	500 77	511.73	763.52 (14/6)	500 67 (29/11)
JAPAN						
Nikkei (16/5/49)	22712.60	23053 88	23623 51	23762.86	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	1666 96	1697.35	1734.30	1747 08	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	2905 79	2969.37	3001 18	3021 40	4477 16 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	465 62	466 79	468 42	471.50	632.22 (1/8)	459 08 (28/9)
NETHERLANDS						
CBS Ttl Rtn Gen.(End 1983)	229.3	228 2	228 8	227 9	271 9 (20/7)	225 6 (8/11)
CBS All Shr (End 1983)	168.1	167.2	167 7	167.1	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	700 74	684 78	675 82	672.27	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	620 62	615 49	610 62	634.20	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	308.13	310 79	310 89	312.20	446 87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1253 04	1266.0	1289.0	1319.0	2230.0 (16/1)	1236 0 (23/11)
JSE Industrial (28/9/78)	2786.04	2783.0	2787.0	2784 0	3211.0 (6/2)	2640 0 (1/10)
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	692.55	699 76	687 27	680.56	928.82 (4/1)	566 27 (17/9)
SPAIN						
Madrid SE (30/12/85)	227.58	228.23	228 06	227.52	309 74 (16/7)	209.37 (28/9)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	825 8	825 2	815 6	822 2	1329.9 (5/7)	815 6 (27/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	619.1	617.2	614.3	614 6	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	513 1	512.4	510 4	510.4	698.2 (13/7)	510.4 (26/11)
TAIWAN**						
Weighted Price (30/6/66)	4210 14	4144 76	4386.32	4582.86	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	558.20	587 15	592.60	601.85	1143 78 (25/7)	558.20 (29/11)
WORLD						
M.S. Capital Intl (1/1/70) ($)	454 6*	458.9	463.1	463.5	571.0 (4/1)	423.1 (28/9)

**Saturday November 24: Taiwan Weighted Price 4801 08 Korea Comp Ex. 678.92

& Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX − 1,000, JSE Gold − 255.7, JSE 26 Industrials − 264 3 and Australia All Ordinary and Mining − 500; (c) Closed (u) Unavailable.

TOKYO - Most Active Stocks

Thursday 29 November 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	11.1m	385	+ 13
Honshu Paper	10 0m	2,090	+ 140
Hitachi	8.5m	1,050	0
Kyosan Elec	7.2m	1,610	+ 60
NKK	6.8m	350	−5
Kobe Steel	6.5m	448	−1
M'bishi Heavy	4 9m	635	−20
S'tomo Metal	4 7m	399	+ 11
Kurabo Inds	4 2m	1,120	+ 40
M'sui Shpbldg	4 1m	450	−14

4pm prices November 28

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37⅛	9½	AAR	.48	4.2	7	717	11½	11	11⅛	
8¾	7⅜	ACM n	1.01	12.		170	8¾	8½	8⅝	- ⅛
11⅞	8¾	ACMIn	1.28	13.		2241	10	9¾	9⅞	
8¼	6½	ACM M n	1.01	14.		570	7⅜	7¼	7⅜	+ ⅛
12⅝	10	ACMMM	1.50	13.		111	11⅝	11½	11⅝	
11⅞	8⅝	ACM Se	1.28	13.		2773	9⅝	9⅜	9⅝	+ ⅛
9⅞	7¼	ACMSp	1.01	12.		590	8⅜	8¼	8⅜	+ ⅛
24⅝	15⅞	AL Lab	.16		7	18	46	22⅜	22	22¼ + ¼
5¼	1	AM Intl				253	1⅜	1¼	1¼	- ⅛
20⅛	4⅝	AM In pf	2	29.		29	6⅞	6½	6⅞	+ ¼
70¼	39¾	AMR			13	3678	45¼	43¾	43¾	- 1½
26½	25	ANR pf	2.67	10.		7	25⅝	25½	25⅝	
4	1⅜	ARX				38	1⅝	1½	1½	
72¾	38¼	ASA	3	7.2		625	41½	40¾	41½	+ ¾
3½	3⅛	ATTC wt				246	3⅜	3⅛	3⅛	- ⅛
45⅝	31¼	AbtLab	s.84	2.0	20	4488	43	42⅜	42¾	+ ¼
14	10⅞	Abitibi g	.50			13	11¼	11⅛	11⅛	- ⅛
11⅝	4⅝	AcmeC	.40	7.3	13	56	5⅝	5⅜	5½	+ ⅛
9⅞	5	AcmeE	.32	6.0	9	23	5⅜	5⅜	5⅜	
32⅞	16⅞	Acuson s			21	3428	27½	25	26⅛	+ 2
16⅞	14⅛	AdaEx	1.72e	12.		134	14⅝	14⅜	14⅜	- ¼
15⅞	10	Adobe				24	10⅝	10½	10½	+ ⅛
20¼	16	Adob pf	1.84	11.		5	17¼	17¼	17¼	+ ¼
21⅝	19¼	Adob pf	2.40	12.		165	20	20	20	+ ¼
[illegible]										

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
12⅞	7½	BordCh	1.78e	22.	9	184	[illegible]	[illegible]	[illegible]	[illegible]
37⅞	27⅛	Borden	s1.06	3.8		2478	[illegible]	[illegible]	[illegible]	[illegible]
19⅛	14½	BCelts	2.20e	14.	13	29	[illegible]	[illegible]	[illegible]	[illegible]
22⅛	16½	BostEd	1.52	8.1		1351	[illegible]	[illegible]	[illegible]	[illegible]
93	88	BosE pf	8.88	10.		z110	[illegible]	[illegible]	[illegible]	[illegible]
15½	14⅛	BosE pr	1.46	10.		7	[illegible]	[illegible]	[illegible]	[illegible]
29⅛	16⅞	Bowatr	1.20	5.4	8	1629	[illegible]	[illegible]	[illegible]	[illegible]
14½	6¾	Brazil	3.19e	45.		1134	[illegible]	[illegible]	[illegible]	[illegible]
34	20½	BrigSt	1.60	6.2	9	129	[illegible]	[illegible]	[illegible]	[illegible]
65⅞	50½	BrMySq	2.12	3.3	35	5853	[illegible]	[illegible]	[illegible]	[illegible]
39⅞	25	BritAir	2.09e	7.4	4	548	[illegible]	[illegible]	[illegible]	[illegible]
47⅞	30¾	BritGas	2.53e	5.5	12	155	[illegible]	[illegible]	[illegible]	[illegible]
86¼	58⅝	BritPt	4.37e	5.4	21	1473	[illegible]	[illegible]	[illegible]	[illegible]
14½	5⅝	BritP wt				504	[illegible]	[illegible]	[illegible]	[illegible]
26⅞	19⅞	BritSt	2.18e	9.0	5	664	[illegible]	[illegible]	[illegible]	[illegible]
57⅞	40¾	BritTel	3.12e	5.8	11	493	[illegible]	[illegible]	[illegible]	[illegible]
12¼	3⅛	Broadin	.20	4.4	4	5045	[illegible]	[illegible]	[illegible]	[illegible]
37⅝	28⅞	BHP	1.23e	3.7	13	4	[illegible]	[illegible]	[illegible]	[illegible]
12½	7¼	Brooke	.56	7.0	5	62	[illegible]	[illegible]	[illegible]	[illegible]
32¼	25	BklyUG	1.84	6.2	14	781	[illegible]	[illegible]	[illegible]	[illegible]
17½	8⅛	BrnSh	.32	3.8	12	144	[illegible]	[illegible]	[illegible]	[illegible]
30¼	19¾	BrwnGp	1.60	6.9	12	153	[illegible]	[illegible]	[illegible]	[illegible]
49¼	20¼	BrwnFr	.64	3.0	13	8138	[illegible]	[illegible]	[illegible]	[illegible]
18⅛	6⅞	Brnwk	.44	5.8	7	1017	[illegible]	[illegible]	[illegible]	[illegible]
25⅛	11½	BrshWl	.72	4.8	26	377	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]										

[illegible]

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	5⅝	ROC Fd.22e		2.7		748	8¼	8	8⅛	-⅛
9⅝	5⅝	RPC			18	12	8⅝	8⅝	8⅝	-⅛
8¼	4½	RPS	.85e	17.	6	265	5⅛	4⅞	5	
41¾	30	RTZ n	1.68e	4.8		64	35⅝	34⅞	34⅞	-1
67⅞	42⅝	Racal	.60e	1.1	28	1285	54½	53¾	54	-½
105⅞	77⅞	RalsPur	1.85	1.9	15	685	97¼	96	96⅛	-⅞
8⅞	5⅝	RangrO	.08e	.9	19	798	8⅞	8¾	8⅞	+⅛
38½	18⅞	Raycm	.32	1.6		1553	20¼	19⅛	19⅞	+⅝
22⅝	14⅝	RJamF	.24	1.5	5	1	16½	16½	16½	-¼
28⅝	18¾	Rayonr	3.60	18.	5	42	20¼	20	20	+⅛
2⅞	1⅛	vjRaytc			2	11	1⅝	1½	1½	-⅛
71¾	57¾	Raythn	2.40	3.5	8	936	69¼	67½	68⅝	+⅝
27⅞	21	RdrDg n	.60	2.3	17	840	26⅜	26¼	26⅜	
5	1¼	RdgBte				511	1⅞	1⅝	1¾	+⅛
16¾	11⅝	REIT	1.42	11.	9	19	12⅝	12½	12⅝	
15½	12⅛	RltRef	1.72	14.	7	2	12⅝	12⅝	12⅝	
7⅞	4⅞	RecnEq				90	4⅞	4⅝	4¾	+¼
20	8⅞	Reebok	.30	2.8	7	2281	10⅞	10⅝	10⅞	+¼
11⅛	1⅝	Reece	.05j			12	2⅞	2⅝	2⅞	+¼
½	3-16	Regal				226	13-64	d11-64	11-64	-1-32
15	6⅞	ReichTg	1.52	18.	6	114	8½	8¼	8½	+¼
6⅝	4¼	RelGrp	.32	7.3		82	4½	4⅜	4⅜	+⅛
30⅝	20⅛	Repsol	n.85e	3.9		1198	22	21⅞	21¾	-⅜
5	2⅞	RepGyp	.19t	6.6		51	2⅞	2⅝	2⅞	+⅛
52⅞	37¼	RepNY	1.32	2.9	6	186	44⅞	44⅝	44⅞	+¼
44	38¾	RNY pfB	3.65e	9.1		z20	40	40	40	+¾
7⅝	1¼	Rxene				134	1½	1⅜	1½	
27⅛	11½	ReyRey	.84	5.4	7	177	15⅝	15⅜	15½	-¼
70	48½	ReyMtl	1.80	3.6	7	4619	50⅝	50	50¼	+½
67⅞	58¼	RP Ror	n.84	1.4		466	61⅞	61⅛	61⅝	+¼
18	8⅞	RhP pfA	1.60e	17.		7	9¼	9½	9½	-¼
3½	⅜	RhnP wt				10	½	½	½	-⅛
22	9¼	RhnPt	n1.80e	16.		19	10¼	9⅞	10⅛	+⅛

– X – Y – Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60⅛	29	Xerox	3	8.9	6	3778	34	33⅛	33⅞	+¼
32⅝	13	XTRA	.72	5.2		336	13⅞	13⅜	13⅞	+½
25	12½	XTRA pf	1.94	14.		42	13½	13⅜	13½	+½
4	⅝	Zapata				389	11-16	⅝	⅝	
13¾	4	ZenithE				1009	6⅞	6⅛	6⅞	+¼
19⅞	9⅞	ZenNtl	.88	8.0	7	631	11	10⅝	11	+¼
7⅞	4⅞	Zenb	.93	21.		102	4⅝	4½	4½	-⅛
17⅛	9⅞	Zero	.40	3.6	12	63	11¼	11	11¼	-¼
51⅛	29⅝	Zurnin	.88	2.8	14	398	32⅝	31¾	32	-⅝
12⅝	10⅛	Zweig	1.18e	11.		371	10⅞	10½	10⅝	
10	7⅞	ZweigTl	.84	9.6		1005	8⅞	8⅝	8¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date u-new yearly high. v-trading halted vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices November 29

NASDAQ NATIONAL MARKET

2pm prices November 29

AMERICA

Equities turn lower in lethargic start to trading

Wall Street

A LETHARGIC start to the day saw US equities turn broadly lower yesterday morning as the market waited for the results of a United Nations resolution on the use of force against Iraq, *writes Karen Zagor in New York.*

At 1.30 pm, the Dow Jones Industrial Average was off 23.76 at 2,511.39 on slim volume. On the big board, declining issues outpaced those advancing by a ratio of eight to five. Of the leading stock market indices, only the American Stock Exchange Composite was higher yesterday morning, adding 0.67 to 299.64 at 1 pm. On Wednesday the Dow closed 8.66 lower at 2,535.15.

Stock prices were depressed by profit-taking in the morning session and by higher oil prices. Crude oil prices firmed in light morning trading in anticipation of approval of the UN resolution which would effectively endorse the use of force in the Gulf if Iraq does not withdraw from Kuwait by January 15. At midsession January crude oil was up 17 cents a barrel at $33.45.

Among individual stocks, McDonald's fell $1¼ to $27⅞ in active trading amid rumours that the company would permanently drop the price of its basic products, including hamburgers and milkshakes, although McDonald's said it was not contemplating across-the-board price cuts.

Several blue chip issues moved lower in heavy trading including PepsiCo, which lost $¾ to $24¾, Philip Morris, off $⅛ at $48⅜, and General Motors, which fell $¼ to $37½.

Johnson & Johnson rose $¾ to $67¾ in active morning trading after several analysts made positive comments about the stock. The issue is expected to perform well if Johnson & Johnson gets approval for any of three major products which are being reviewed by the Food and Drug Administration.

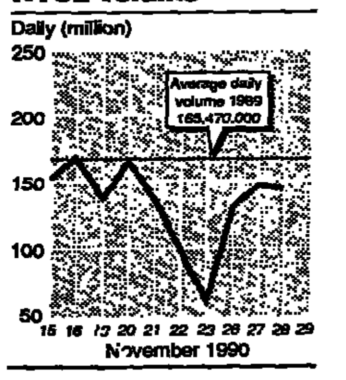
McDonnell Douglas fell $2½ to $44⅛ after an Air Force review said the cost of fulfilling its C-17 cargo aircraft contract might exceed the limit by as much as $580m. McDonnell Douglas, which would have to absorb all expenses above the government's ceiling for the project, has said it will not exceed it.

Cleveland-Cliffs jumped $2¼ to $23⅝ after the company said it had reached a tentative labour accord with its steelworkers' union which would end a strike at the company's iron ore mines in Michigan.

CUC International gained $1⅛ to $18¼ after turning in third-quarter net earnings of 21 cents a share against 7 cents a year earlier.

The secondary market moved lower yesterday morning in slow trading, with the NASDAQ composite off 1.71 at 353.35 at midsession. Reuters Holdings ADRs fell $1 to $35¼ in active trading on the news that the company's managing director and chief executive, Mr Glen Renfrew, will retire in March.

NYSE volume



Canada

INVESTORS were hanging back from the market yesterday, waiting for the UN vote, and Toronto stocks were flat at midday in slow trading. The composite index slipped 0.3 to 3,144.4 on volume of 17.4m shares. Declines led advances by 198 to 172.

Toronto-Dominion fell C$⅛ to C$16⅝. The bank said its fourth-quarter earnings had fallen to 37 cents per share from 52 cents.

ASIA PACIFIC

Nikkei drops below 23,000 as yen weakens

Tokyo

SHARE PRICES lost further ground in Tokyo yesterday, pushing the Nikkei average below 23,000 for the first time in five trading days. The fall came in response to a decline in the yen, rising crude oil prices and more rumours that a large speculative investor was running into financial difficulty, *writes Emiko Terazono in Tokyo.*

The index opened at the day's high of 23,030.90, but soon fell as the yen lost Y1.30 from the previous day's close following remarks by Mr Alan Greenspan, the US Federal Reserve Board chairman, expressing concern over the dollar's decline. The Nikkei dropped to the day's low of 22,265.60 during the morning, but later partially recovered to finish 341.28 down at 22,712.60.

Volume remained low, totalling 300m shares, as only individuals trading in small lots were willing to participate. Losses outnumbered gains by 882 to 83, with 73 issues unchanged. The Topix index of all first section stocks declined 30.39 to 1,666.96 and, in London trading, the ISE/Nikkei 50 index shed 4.21 to 1,270.74.

Pessimism continued as 141 issues hit lows for the year in intraday trading. Among them were high-technology stocks such as Fujitsu and NEC. The latter was sold heavily in early trading after news of its consolidated results for the first half, which showed a 9.6 per cent decline in post-tax profits.

However, index-linked buying by large securities companies towards the end of the session propped up the prices of such leading issues, said Mr Masami Okuma at UBS Phillips & Drew. Fujitsu and NEC both closed unchanged at Y960 and Y1,270 respectively.

Remarks made on Wednesday by Mr Yasushi Mieno, the governor of the Bank of Japan, that financial trouble for speculative investment companies was unavoidable cast a shadow on the already nervous market. Some speculative stocks such as Honshu Paper, which closed up Y140 at Y2,090, attracted bargain hunting, but most remained depressed.

Power utilities lost ground on higher crude oil prices and lower profit forecasts. They have suffered heavy declines in pre-tax profits for the first half, and have revised downwards their earnings for the full year, forecasting sharper falls in profits. Chubu Electric Power, which expects a 79 per cent plunge in pre-tax profits, receded Y60 to Y2,630.

The expiry of margin contracts continued to depress leading steels and shipbuilders.

The few winners of the day were financials. Bank of Tokyo gained Y20 to Y1,090 and Tokio Marine & Fire Y20 to Y1,280. Traders said non-life insurers were being bought by European and US pension fund managers, because they are less affected by high interest rates than securities houses and banks.

In Osaka, the OSE average plummeted 836.79 to 25,160.89 on volume of 33.7m shares.

Noda Industrial, which had been suspended on the OSE second section for two days, plunged Y265 to Y415. The issue faced heavy sell orders after the company announced that it might consider holding back dividend payouts this year; the company is connected with Kyowa, the steel frame builder and property speculator which filed this week for bankruptcy protection.

Roundup

FEARS OF war in the Middle East preyed on many Pacific Rim markets yesterday.

SEOUL closed lower after a volatile session, ending three days of gains. The composite index slipped 7.21 to 692.55 amid strong trading volume of Won343.4bn (Won249bn).

Shares jumped in the morning on rumours that the government would speed up the opening of the local capital markets to foreigners, but fell back after the government issued a denial. Reports that institutional investors were selling large amounts of stocks also hurt the market.

BOMBAY returned from Wednesday's holiday in worried mood, and fell 5.9 per cent on Gulf fears. The BSE index lost 75.79 to 1,208.56. BANGKOK shed 4.9 per cent after the drop in Tokyo prompted investors to cash in their holdings on fears of a domestic economic slowdown. The SET index lost 28.95 to 658.20.

AUSTRALIA was plagued by computer problems which led to the wrong index being displayed throughout the session, confusing traders. News that gross domestic product fell 1.6 per cent in the third quarter, after declining 0.4 per cent in the previous quarter, also weighed on prices. The All Ordinaries index fell an estimated 12.6 to 1,388.5.

Banks declined in active trading, accounting for about one quarter of the day's turnover, in the wake of ANZ's poor results. ANZ fell 22 cents to A$3.47. Turnover jumped to A$231m from A$124m.

TAIWAN ended four days of losses on meeting bargain hunting. The weighted index rallied 65.38 to 4,210.14. Volume decreased to T$54.54bn.

SINGAPORE drifted in lacklustre trading. The Straits Times Industrial index closed at 1,109.41, down 6.41. Turnover fell to S$33.84m from S$38.10m.

Renong, however, a Malaysian company with close links to the country's ruling party, rose 9.5 cents to S$1.02.

Electro Magnetic, the troubled video tape maker, fell below its 50-cent par value during the day to 47 cents, before bouncing up to close at 50.5 cents. The Stock Exchange has been asking questions about its manufacturing capability and quality control. The company has also been given two weeks for an independent audit to help its creditor banks decide on its future.

HONG KONG eased in thin trading. The Hang Seng index dipped 8.04 to 2,978.35, while turnover dropped to HK$433m, the thinnest since September 20, from HK$530m.

NEW ZEALAND's Barclays index receded 6.29 to 1,286.16 during a quiet trading session.

Malaysian plantations shrug off crop outlook

A land deal earlier this month has led to a spurt of interest, writes **Lim Siong Hoon**

THESE ARE not the best of times for the Kuala Lumpur Stock Exchange or the commodity markets, so a recent spurt in prices and trading in the plantation sector came as a surprise.

The values in nearly a dozen shares rose in unison, gaining by up to 10 per cent in a single day, even though this year's Malaysian crop output and its prices are expected to be flat or only marginally higher.

Among the leading companies, Golden Hope has risen 22 per cent on the month to S$2.25 yesterday; Sime Darby has eased slightly from S$3.98 at the end of October, but has gained 8 per cent since November 7 to S$3.78 yesterday; and Kuala Lumpur Kepong has risen 6 per cent on the month to S$4.38. These gains compare with a fall of 5.3 per cent in the Kuala Lumpur composite index so far in November.

Much of the interest is speculative, related to the value of the land held by the plantation groups at a time when their earnings are falling and dividends, at best, will be flat. Pre-tax profits for the six months to September in Golden Hope, the country's second largest plantation group, for instance, dropped by 50 per cent.

The idyllic farms, with their immaculate rows of rubber and oil palm trees, are increasingly under pressure to capitalise on rising real estate prices, and surrender land to the demands of other industrial sectors, which are growing more rapidly. The clearest example of this is Consolidated Plantations, a Sime Darby subsidiary and the country's third largest plantation company, with land holdings of more than 67,000 hectares. Housing, roads and factories are closing in on many of its estates in the Klang valley central peninsular region.

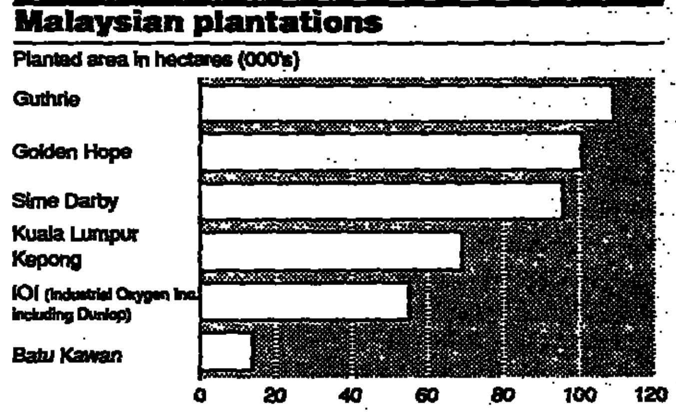
Earlier this month, Consolidated Plantations agreed to sell 486 hectares to Sime UEP, a housing developer, for M$180m (US$67m). Some analysts say the sale, which nets an extraordinary gain of 757 per cent, or M$159m, for the company, was the trigger for the stock rally.

In another such deal, Highlands and Lowlands, a subsidiary of Kumpulan Guthrie, the country's largest plantation, is expected to make a net extraordinary gain of almost M$387m, while land sales by Consolidated Plantations this year have totalled more than M$330m. Golden Hope, Kuala Lumpur Kepong and most of the other leading plantations have announced similar property deals in the past month.

Some analysts believe that the 15 per cent rise in crude palm oil prices in recent weeks has at least contributed to a renewed interest in the sector. At about M$800 a tonne, however, current palm oil prices are no higher than last year's average and below the M$1,000 fetched in previous years.

Palm oil accounts for about 60 per cent of the planted acreage of plantations; the rest is occupied by rubber and cocoa, where markets remain depressed.

Malaysian plantations



Although many plantation share prices have leapt to 20 to 30 times earnings, their overall market capitalisation is just 1.23 to 1.26 times the net book worth. This compares with 1.7 and 2.6 in the property and industrial sectors.

Some analysts believe that this gap might narrow if plantations continue to dispose of land at a large profit, thus offsetting slower earnings from their core business.

The focus of investor attention on the former colonial groups such as Consolidated Plantations and Malakoff is more than coincidental. They own much of the ideally serviceable land, because their estates are located along the present trunk roads, and not deep in the jungle, where the new estates are located, says Mr Ang Kok Heng, research manager at TA Securities, a Malaysian brokerage. "On average such land fetches 10 times the book value," he says.

EUROPE

Paris ends at day's high as bourses wait for UN

BOURSES played a waiting game yesterday, before the United Nations (UN) vote on Kuwait. Most edged lower, although Paris achieved a modest gain, *writes Our Markets Staff.*

PARIS ended at its day's high, the CAC 40 index rising 5.81 to 1,607.06 from its low of 1,590.87. There was some interest in special situations, lifting volume in some stocks, but overall turnover was light at about FFr1.3bn, compared with Wednesday's FFr1.9bn.

Thomson-CSF, the defence electronics company, gained FFr4.20 or 3.8 per cent to FFr116 with 575,400 shares changing hands; there were reports of a big buyer in the market. Michelin jumped FFr4.10 or 6.4 per cent to FFr68.30 on 402,400 shares, including one block of 120,000 at FFr66 a share; and Peugeot gained FFr9 to FFr538 on 239,875 shares before the expiry of a warrant today.

In the chemical sector, a belief that Rhône-Poulenc had been oversold lifted its investment certificates by FFr8.50 or 4 per cent to FFr219, with 81,525 traded.

FRANKFURT ended mixed, the DAX index easing 1.70 to 1,418.92 after a decline of a mere 0.67 in the FAZ at midsession as volume fell from DM5bn to DM3.8bn.

Banks were generally higher, with the exception of Dresdner, which fell DM2.50 to DM368.10 on results which were much as expected. Deutsche Bank registered a DM1.50 rise to DM599.50 before 10-month results next week.

Among carmakers, Volkswagen fell DM9 or 2.6 per cent to DM335.50 as warning strikes interrupted operations at its Wolfsburg plant. Other strikes are planned today and Monday for VW's plants in five other German cities. Porsche, meanwhile, fell another DM18 to DM700.

Lufthansa, the state-controlled airline, fell another 90 pfg to DM109.10 after Wednesday's DM5 drop on news that the government was considering selling its holding. Yesterday saw what were described as unsatisfactory profits for the carrier after nine months of 1990.

AMSTERDAM's turnover improved slightly as some institutions started to return to the market. The CBS Tendency index eased 0.3 to 94.3.

CSM, the sugar producer, gained 50 cents to Fl 82.90 before announcing a 15 per cent rise in net profits. Philips rose 60 cents to Fl 21.60 after saying it had the agreement of Dutch trade unions on a forthcoming round of job cuts. Ahold, the retailer, slipped 30 cents to Fl 132.90 after reporting a 21 per cent rise in third-quarter net profit to Fl 56.7m.

BRUSSELS was weaker but volume was boosted by trading in Petrofina, the oil company, and FN, the arms manufacturer. The cash market index eased 21.44 to 4,994.84.

Petrofina rose BFr25 to BFr10,050 and FN rose 7.1 per cent to BFr135.

ZURICH finished steady, the Crédit Suisse index edging up 0.4 to 458.4 as Nestlé signed a protocol with Coca-Cola on ready-to-drink beverages, and its shares reversed recent weakness to end SFr80 higher at SFr7,330.

In chemicals, Ciba-Geigy bearers rose SFr30 to SFr2,320 although 1990 net profits were expected to decline by more than the 12 per cent seen in the first six months.

MADRID was subdued, the general index falling 0.65 to 227.58. Dragados, the construction company, was active, rising Pta35 to Pta2,400 with 2.29m shares traded.

Ercros, the chemicals company, lost Pta20 to Pta595 in spite of reaching agreement with unions on the restructuring of Fesa-Enfersa, its agrochemical unit which is expected to contribute to a sharp drop in profits this year.

MILAN closed lower although the previous day's news that Fiat planned to invest L5 trillion in two new car plants helped sentiment. The Comit index fell 0.73 to 500.67.

CIR fell L125 or 5 per cent to L2,395 after Mr Carlo de Benedetti, its chairman, reportedly said he planned to divest its French subsidiary, Cerus.

STOCKHOLM closed marginally higher, the Affärsvärlden General index closing 0.6 higher at 825.8 although banks fell by 1.2 per cent. Volume slipped to SKr166m.

Nordbanken, the country's second largest bank, dropped SKr3 or 7 per cent to SKr41 after reducing its operating profits forecast to SKr2bn from an earlier SKr3.2bn.

OSLO continued to rise. The all-share index added 10.60 or 2.3 per cent to 479.55 in volume of NKr340m.

ISTANBUL resumed its downwards path after Wednesday's partial recovery, losing 126.46 or 3.4 per cent to 3,311.93, while ATHENS' general index gained 16.43 or 2 per cent to 858.37.

SOUTH AFRICA

SHARES DRIFTED aimlessly in Johannesburg in uncertain trading as swings in the financial rand continued to confuse the market. The all-share index rose to 2,604 before closing only 1 higher at 2,596. The all-gold index fell 13 to 1,253.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 28 1990								TUESDAY NOVEMBER 27 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (76)	124.01	+0.3	93.21	101.75	95.68	107.22	+0.2	7.24	123.69	92.85	100.31	95.18	107.03	158.31	118.98	144.19
Austria (19)	196.54	−0.4	147.72	161.26	151.64	151.40	−0.4	1.80	197.27	148.09	159.99	151.79	152.04	285.63	178.57	148.67
Belgium (61)	136.08	−1.1	102.28	111.64	104.99	102.86	−0.7	5.64	137.53	103.24	111.53	105.82	103.61	160.02	126.67	148.04
Canada (120)	124.92	−0.1	93.89	102.49	96.37	105.47	+0.1	3.81	125.02	93.85	101.38	96.19	105.33	153.61	121.24	149.67
Denmark (33)	243.81	−0.8	183.25	200.05	188.11	188.93	−0.5	1.59	245.74	184.48	199.30	189.09	189.84	277.62	234.05	230.75
Finland (25)	105.58	+1.2	79.36	86.63	81.46	78.45	+0.7	3.89	104.35	78.34	84.64	80.30	77.89	152.29	98.91	120.97
France (122)	138.51	−0.6	104.10	113.63	106.85	108.79	−0.3	3.82	139.32	104.59	112.98	107.19	109.11	168.85	124.98	139.68
Germany (91)	115.98	−0.8	87.17	95.17	89.48	89.48	−0.5	2.54	116.93	87.77	94.84	89.97	89.97	144.63	101.38	104.63
Hong Kong (48)	121.57	−0.3	91.37	99.74	93.80	121.64	−0.2	5.44	121.90	91.51	98.86	93.80	121.93	147.49	112.24	115.99
Ireland (17)	152.06	−1.1	114.29	124.76	117.32	119.20	−0.8	4.39	153.82	115.47	124.75	118.36	120.18	198.57	139.04	166.17
Italy (91)	76.32	−0.1	57.37	62.62	58.88	63.54	+0.4	3.87	76.41	57.36	61.96	58.79	63.31	109.26	76.32	92.39
Japan (454)	125.13	−3.2	94.05	102.66	96.55	102.66	−2.1	0.83	129.32	97.08	104.88	99.52	104.88	197.26	106.58	195.98
Malaysia (35)	190.32	−0.8	143.05	156.15	146.83	196.84	−0.7	3.44	191.88	144.04	155.61	147.64	198.27	250.89	182.96	206.02
Mexico (12)	574.67	+1.1	431.94	471.51	443.37	1846.29	+1.0	0.37	568.41	426.69	460.98	437.36	1828.36	574.67	324.53	285.50
Netherland (41)	134.00	−0.5	100.72	109.94	103.39	102.35	−0.3	5.25	134.71	101.12	109.25	103.65	102.64	149.03	127.56	131.78
New Zealand (16)	48.70	+0.7	36.60	39.96	37.57	42.36	+0.9	7.93	48.36	36.30	39.22	37.21	41.99	75.36	47.90	75.42
Norway (27)	217.54	+0.1	163.51	178.49	167.84	171.25	+0.4	1.81	217.35	163.16	176.28	167.24	170.59	276.79	202.34	178.35
Singapore (25)	155.94	+0.1	117.21	127.95	120.31	122.56	−0.1	3.60	155.85	117.00	126.40	119.92	122.64	209.24	147.24	164.72
South Africa (60)	171.06	−0.7	128.57	140.35	131.97	131.43	−0.7	4.22	172.27	129.32	139.71	132.55	132.36	251.39	151.50	169.28
Spain (42)	145.15	−0.3	109.10	119.10	111.99	103.75	+0.2	5.34	145.59	109.29	118.08	112.02	103.57	182.25	128.54	158.39
Sweden (27)	155.38	+1.5	116.79	127.49	119.88	128.07	+1.8	3.17	153.11	114.94	124.18	117.82	125.74	234.93	153.11	169.63
Switzerland (68)	87.72	+0.0	65.93	71.98	67.68	68.96	+0.7	3.05	87.70	65.84	71.13	67.49	68.45	109.77	85.00	91.56
United Kingdom (298)	169.19	−0.9	127.16	138.80	130.52	127.16	−0.8	5.47	170.68	128.13	138.41	131.32	128.13	176.18	139.87	144.12
USA (533)	128.36	+0.0	96.48	105.32	99.04	128.36	+0.0	3.85	128.39	96.38	104.13	98.79	128.39	148.95	119.06	139.47
Europe (962)	137.49	−0.7	103.34	112.81	106.08	105.05	−0.4	4.43	138.40	103.89	112.25	106.50	105.49	157.65	124.91	128.95
Nordic (112)	171.05	+0.3	128.57	140.35	131.97	131.13	+0.6	2.32	170.59	128.06	138.35	131.26	130.39	223.29	170.59	170.99
Pacific Basin (654)	124.66	−3.0	93.70	102.28	96.18	103.13	−2.0	1.23	128.52	96.48	104.23	98.89	105.19	192.75	107.82	190.90
Euro – Pacific (1616)	130.23	−2.0	97.88	106.84	100.47	104.74	−1.3	2.61	132.90	99.76	107.77	102.25	106.12	174.18	116.03	166.19
North America (653)	128.06	+0.0	96.25	105.08	98.82	126.85	+0.0	3.84	128.10	96.16	103.90	98.58	126.87	148.43	119.26	139.98
Europe Ex. UK (664)	118.12	−0.5	88.78	96.93	91.15	92.07	−0.1	3.63	118.71	89.11	96.29	91.36	92.21	145.62	109.94	118.52
Pacific Ex. Japan (200)	118.44	+0.0	89.02	97.19	91.39	105.68	+0.0	6.23	118.39	88.88	96.03	91.11	105.67	146.72	118.03	130.12
World Ex. US (1808)	130.71	−1.9	98.24	107.25	100.85	105.47	−1.2	2.66	133.27	100.04	108.09	102.55	106.79	173.77	117.12	165.72
World Ex. UK (2043)	124.93	−1.3	93.90	102.51	96.39	111.06	−0.8	2.75	126.62	95.05	102.69	97.44	112.00	162.00	115.37	156.41
World Ex. So. Af. (2281)	128.60	−1.3	96.66	105.53	99.23	112.52	−0.8	3.06	130.28	97.80	105.67	100.25	113.47	161.84	118.04	155.21
World Ex. Japan (1887)	132.07	−0.3	99.27	108.38	101.92	117.99	−0.2	4.17	132.46	99.43	107.43	101.93	118.20	151.59	124.31	135.87
The World Index (2341)	128.86	−1.3	96.85	105.73	99.43	112.66	−0.8	3.07	130.55	97.99	105.87	100.45	113.60	162.05	118.33	155.29

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هكذا من الأصل

RECRUITMENT

JOBS: Unprecedented fall in demand could herald structural change in sales and marketing

Why reps may be an endangered species

DOES any reader have a clear idea of what's happening to the sales and marketing profession in Britain? If so, the Jobs column would dearly like to know, because something unprecedented seems to be afoot.

Admittedly, recruiting of sales and marketing people has always dwindled when recession bites and employers are gloomy about what they can foresee. But the recruitment cuts of past economic downturns were modest compared with the drop in the market for such staff now.

The steepness of the fall is understated by saying merely that advertised demand for them is at a record low. A better idea of the plunge is given by comparing the MSL International consultancy's count of marketing and sales jobs advertised in the 1981 recession, which was bad enough, with the count for the 12 months to September 30 this year.

Between October 1 1980 and the end of September 1981, United Kingdom national journals advertised 17,886 openings for executives of all kinds. Jobs for sales and marketing specialists numbered 3,543, 19.8 per cent of the total. The only specialism in greater demand was accounting and finance with 3,806 offers, or 21.3 per cent.

Over the 12 months to September 30 1990, the all-executive total was far greater at 28,796. But the number for marketing and sales staff was down to 2,840, or 9.9 per cent of the lot – surely a disquieting loss of their market share. Demand was higher not only in accounting and finance at 20.2 per cent, but also in production management at 19.1, and in research and development at 11.4 per cent.

I had hoped to find a clue to the change's causes in the Remuneration Economics consultancy's new survey of sales and marketing in the UK. (The overall findings on the pay and perks of seven ranks of staff, with comparisons for the same ranks in accounting and finance, are given in the table below. Anyone wanting more information on the results can obtain it, at a price, from Peter Stevens of the consultancy, 51 Portland Rd, Kingston upon Thames, Surrey KT1 2SH; telephone 081-549 8726, fax 081-541 5705.)

My hope of a clue did not lie in the survey's pay figures which, since they are based on people already employed by the companies taking part in the study, say nothing about intakes of recruits. The hope was vested in another part of the survey which gives staff-turnover rates. It struck me that one reason for the drop in recruitment of sales and marketing people might be that they are staying in the same job markedly longer than they used to, so reducing the need for replacements.

But that does not seem to be the case, because their turnover rate has been higher than the rates for other specialists. The survey found that 9.6 per cent of marketing and sales staff had resigned in the past year, and a further 2.8 per cent had been sacked. Comparable rates were:

Specialism	*% resigned*	*% fired*
Finance	10.5	1.0
Computing	10.3	1.7
Personnel	8.7	1.2
Actuarial	8.0	0.3
Engineering	6.8	0.9

Another fairly obvious possibility is that the employers rather than the employees have changed their habits and are recruiting sellers and marketers in other ways. Although the drop seems too steep to be explained by a shift from advertising to the personal approach methods of executive search, a bigger share of the ads may be appearing in trade papers instead of national journals.

But Oastler Michie, who has just retired after being MSL's chief market-watcher since 1959, says there has been no such swing large enough to account for the fall. And try as I might to think of another simple explanation, I cannot. Hence my appeal to readers better placed to know.

Could it be that we are seeing the effects of a structural change in sales and marketing which is reducing the need for staff? One factor in it, for example, could be the trend towards fewer and bigger organisations with central purchasing functions buying in great bulk. Moreover perhaps the forecasts of information systems enthusiasts are coming true.

Numerous of them have prophesied that computers will eventually replace the standard sales representative. They say the transactions traditionally made through reps – from specifying a suitable product and lauding its advantages through taking an order and answering queries about its progress, to invoicing chasing payment and scheduling after sales service – can be better handled by back-room staff sitting at terminals linked to a constantly revised database.

Rank	*Specialism*	Lower quartile Basic salary £	Lower quartile Total money reward £	Median Basic salary £	Median Total money reward £	Upper quartile Basic salary £	Upper quartile Total money reward £	Average Basic salary £	Average Total money reward £	% who got bonus or commission	Bonus etc as % of receivers' average earnings	% with coy. car	% with free fuel	% with 5-plus weeks holiday
Director	*Sales & mktg*	36,000	39,450	46,462	49,559	57,420	60,000	53,218	57,437	50.9	12.1	100	58	40
-do-	*Finance*	41,833	45,257	52,000	54,680	70,413	78,500	62,670	69,416	61.5	14.3	94	59	45
Head of function	*Sales & mktg*	27,500	28,600	33,500	35,320	42,500	46,000	36,351	39,966	59.6	13.7	100	54	42
-do-	*Finance*	31,500	33,000	38,220	40,500	46,200	48,376	40,147	42,433	55.0	9.2	92	45	43
Head of dept.	*Sales & mktg*	24,075	25,915	30,187	32,271	35,700	40,208	31,351	34,573	66.3	13.1	95	32	39
-do-	*Finance*	27,300	28,500	32,400	33,131	37,800	39,366	33,416	34,861	52.5	7.5	84	29	40
Section manager	*Sales & mktg*	19,700	21,200	23,500	24,840	27,827	30,747	24,375	27,510	63.5	17.3	88	39	28
-do-	*Finance*	23,520	24,255	28,887	29,500	34,248	35,350	29,430	30,486	51.7	6.6	7	23	35
Team leader	*Sales & mktg*	17,644	18,900	20,900	22,540	24,086	27,522	21,269	24,614	62.0	21.0	74	24	26
-do-	*Finance*	21,250	21,840	25,800	26,537	29,619	30,590	25,759	26,572	52.2	5.7	55	14	34
Senior rep	*Sales & mktg*	16,000	17,001	18,218	20,212	21,087	25,449	18,690	23,329	69.0	27.0	62	11	22
Senior staff	*Finance*	18,725	19,008	21,500	22,000	24,852	25,649	22,101	22,712	46.4	5.5	25	7	34
Representative	*Sales & mktg*	13,519	14,248	14,714	15,970	16,500	18,917	15,051	17,852	61.9	23.7	76	19	18
Staff	*Finance*	14,399	14,710	17,109	17,545	20,000	20,280	17,480	17,854	35.7	5.4	10	3	23

Model-builders

RECRUITER John Williams seeks two London-based boffins for an international brokers he may not name. He promises to honour applicants' requests not to be identified to his client at this stage.

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Michael Dixon

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For further information, you can contact mr. E. de Smidt, telephone (31) (0)20 - 563 5378.

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Having a good degree and at least five years' experience in management of corporate funds - possibly on the client side - the ideal candidate will have first class analytical ability, a creative approach to statistics and must be able to contribute fully to the quantitative research programme.

There is unusual emphasis on communication skills and the role will include some involvement in high level conferences, media briefings and presentations.

The appointment represents an exceptional career development opportunity for the right individual.

An excellent salary will be negotiated and the package will include a car and valuable financial sector benefits.

Please send a full CV including current remuneration, in confidence, to John P. T. Miller, Director of Personnel.

HILL SAMUEL INVESTMENT MANAGEMENT GROUP
45 Beech Street, London EC2P 2LX Tel: 071-638 1774. Fax. 071-588 6476.

BLAKE DAWSON WALDRON

AUSTRALIAN LAWYERS

Our Sydney and Melbourne offices seek

Solicitors Experienced in Structured and Asset Based Finance

Blake Dawson Waldron is a major Australian law firm advising on all aspects of business, finance, and government. We practise predominantly in Australia and the Western Pacific region. We have offices throughout Australia, in Sydney, Melbourne, Canberra, Brisbane and Perth. Our Western Pacific offices are located in Papua New Guinea and Singapore and we have an associated office in Indonesia. We are soon to open an office in London which will assist our UK and European clients in transactions relating to Australasia.

The firm has an extensive banking and finance practice that acts for leading national and international institutions. The firm provides a full range of legal services for credit providers and borrowers in connection with all forms of domestic and international financing, the practice in structured finance is expanding rapidly and provides excellent prospects for the right applicants.

Applicants should have a strong academic record and good drafting skills.
Additionally, applicants should have the ability to meet clients' deadlines without reduction in the quality of the documents produced. Experienced structured finance lawyers, as well as lawyers with a proven track record in banking and finance generally are invited to apply. Practice development abilities would be an advantage, but the strongest skills must be in drafting.

Initial telephone enquiries should be made to:
Sydney: Trevor Danos +61 2 258 6274, or
Melbourne: Mark Breheny +61 3 608 9503.

Written applications only should be forwarded by facsimile or mail to:
Mr Alan Cornell, Resident Partner, Blake Dawson Waldron, 66 Gresham Street, LONDON EC2V 7BB. Facsimile (071) 600 3392

Applications will be treated in the strictest confidence.

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Such a role has been created by our client. The successful candidate will develop the financial modelling and accounting treatments required to cope with the increased volume of highly complex deals conceptualised by iconoclastic financial engineers.

Only the best, able, ambitious, **articulate accountants with a committed approach to work long hours, using experience with financial services clients including special work in acquisitions, flotations or leasing are required. They should be, or should rapidly become, familiar with products at the leading edge of the capital markets business. An appropriate package including banking benefits will be negotiated.**

Please forward your curriculum vitae in confidence including details of your remuneration quoting reference number 180 or telephone Peter Willingham or David Wilkinson for a confidential discussion.

Your details will not be released to our client without express permission.

Please do not confuse us with an agency. We are professionals in the Search & Selection field who advertise regularly in the "FT", where the more senior financial appointments are advertised.

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R/rs with or without clients are invited to telephone Mr S. Younis (Dealing Director) 071-895 1700.

FINANCIAL ENGINEERING

£ Negotiable

A number of vacancies have arisen within the Financial Engineering unit of Barclays Global Treasury Services division as a result of expansion and internal promotion. The section is one of the fastest moving areas within the bank as a whole and within the Treasury division in particular. Situated within the London dealing room, the unit is responsible for enhancing existing products and developing and structuring new products. The unit will form one of the core structuring and product development areas within the restructured Markets and Investment Banking division currently emerging from the reorganisation of Barclays' operations.

Candidates will be graduates with strong quantitative skills. The minimum is a first degree in a numerate subject, ideally supported by a second degree in an area such as mathematics, statistics or economics. Relevant experience within a financial environment is desirable though not essential.

The vacancies attract the usual banking fringe benefits. There are ample opportunities to progress further within the unit or within the Markets and Investment Banking area generally.

Candidates should apply, enclosing a C.V. to:

MR. B. J. DAVIES,
HEAD OF FINANCIAL ENGINEERING,
GLOBAL TREASURY SERVICES,
BARCLAYS BANK PLC,
MURRAY HOUSE, 1 ROYAL MINT COURT,
LONDON EC3N 4HH.

YOU'RE BETTER OFF TALKING TO BARCLAYS

INVESTMENT ANALYSTS

The growing Investment Management Group of Storebrand International, A/S, the subsidiary of Norway's leading insurance company Storebrand A/S, has relocated to London and we are seeking to fill three key positions.

Each position offers an opportunity to become a member of a highly qualified management team, to play a role in investment policy decisions and to contribute to the development of our business.

All candidates must have a degree or a suitable professional qualification. Storebrand places great emphasis on in-house analysis and you need to demonstrate a sharp analytical insight and quantitative skills. A willingness to learn and gain new expertise is essential.

These three positions are an exceptional opportunity for individuals to forge an exciting career in a challenging environment.

Areas to be covered by the individual analysts are:

1. Far East
   A minimum of 12 months' experience is needed, preferably with some involvement of Japan. A knowledge of specialised funds would be helpful.
2. North America
   A minimum of 12 months' experience is required, with the emphasis on the US. An interest in the CFA programme would be an advantage.
3. Generalist
   This could easily suit a recent graduate who is prepared to accept a floating role possibly involving Europe. A more qualified candidate would also be suitable.

Our commitment to the in-house analytical function will be reflected in the remuneration package.

Please send your C.V. with a covering letter stating the post(s) for which you wish to be considered, giving your day and evening telephone numbers and current salary to:

David Cumming, Director, Storebrand International Limited,
36-38 Fenchurch Street, London, EC3M 3DG

We are an equal opportunities company; applications from women will be especially welcomed.

STOREBRAND

FIXED INCOME RESEARCH/SALES

Due to an error in posting, the replies to the advertisement below have not reached their destination. The Financial Times apologises for this error. If you have previously responded to this advert, please write again in complete confidence to Box A298, Financial Times, One Southwark Bridge, London SE1 9HL.

FIXED INCOME RESEARCH/SALES

We are the merchant banking arm of a European AAA bank with an established market niche and client base, currently expanding our International Fixed Income operation. Our requirement is for a first-class executive to join a small team of fixed income professionals. The ideal candidate will have 18-24 months' experience with a City institution and will quickly develop into a senior member of a highly commercial, research-driven, fixed income team which has a collegiate rather than a hierachical profile.

Suitable candidates will be team players who have:

- a sound grasp of economic fundamentals, preferably with a good first degree in economics from a UK university;
- the ability to produce high-quality macroeconomic and interest rate analysis in a commercial and dynamic environment and thus often under time pressure; and
- good communication skills and the desire to develop client contact.

Remuneration will be commensurate with existing experience and thereafter will be performance-related.

Write Box No A298 Financial Times,
One Southwark Bridge, London SE1 9HL

BUTLER HARLOW UEDA

MULTI-LINGUAL AND MULTI-CURRENCY?

Butler Harlow Ueda - one of the world's leading moneybrokers - is going against the trend in the Foreign Exchange Market.

Contrary to the general mood of the London Market, we are actively recruiting specialist multi-lingual individuals (male or female) with a demonstrable track record of success in Cross Currency Spot FX broking.

Applicants should be graduates, and fluent in two European languages other than English, or in Japanese and one European language. Successful candidates will have established relationships with client banks in Europe as well as in London.

The salary and benefits package is negotiable and will reflect the high expectation levels underlying the proposed appointments.

Applicants who meet the stringent standards should apply to Greg Ripley at Robert Half, Walter House, Bedford Street, 418 The Strand, London WC2R 0PT. Replies will then be forwarded to Butler Harlow Ueda.

ROBERT HALF

SETTLEMENT + BASIC BOOKKEEPING

New small city broker requires person with minimum 2 years U.K. + International experience.
Salary Negotiable.
Please send CV to:

Write Box A315, Financial Times,
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Head of European Equity Sales to £100,000

(FLUENCY IN GERMAN ESSENTIAL)

Expanding specialist institutional securities house seeks a high calibre salesman/manager to drive the group's expansion of its European equities business; to build a strategy and team to sell equities in Europe and European equities in UK. Flexibility to work within small dynamic team essential.

Call Ron Bradley on 071 623 1266

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French Speaking Corporate Marketing Officer c£35,000

Premier European Bank that values quality of service and strong long-term client relationships seeks French speaking graduate corporate/commercial marketing officer. If you are between 25 and 35 with minimum 3 years marketing experience, strong credit analysis experience and have completed graduate training scheme with major bank...

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Jonathan Wren Executive

European Fund Management

A leading international bank is seeking to appoint a fund manager to take charge and develop a small European equity portfolio as a part of a policy of increasing its overseas exposure. The successful candidate will be educated to degree standard and have a minimum of 3 years experience of the European markets. A generous salary will be offered, commensurate with experience, together with a banking benefits package.

Call Martin Symon on 071-623 1266.

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ACCOUNTANCY COLUMN

Million-dollar lawsuits plague US firms

By Pratap Chatterjee in Berkeley, California, and David Waller in London

LAST WEEK, the seventh largest accountancy firm in the US collapsed. This week, it emerged that Price Waterhouse is facing a $2.4bn lawsuit in an Arizona court brought by Standard Chartered. The US profession is in a bad way, with litigation the biggest blight of the lot.

The headlines are certainly lurid. Earlier this year, Ernst & Young was sued for $560m for its audit of Western Savings Association of Dallas, Texas. In 1987, Touche Ross was sued for $300m over its audit of Beverly Hills Savings & Loan in California, and last year Deloitte Haskins & Sells was sued for $250m for its audit of Sunrise Savings & Loan in Florida. Four months ago, Arthur Young was sued for $250m for its audit of American Continental Corporation.

Next May, Price Waterhouse will have to appear before a court in Phoenix, Arizona, to defend itself against a lawsuit over its 1986 audit of United Bank of Arizona.

The action against PW was brought under an Arizona fraud statute that allows the litigant to receive treble damages if it wins. Unlike federal fraud laws, it requires only a single charge of fraud to be proved, instead of a pattern of abuse.

United Bank of Arizona was bought by Standard Chartered in 1987 when the State of Arizona allowed out-of-state banks to buy local banks. Standard Chartered paid $335m, and less than a year later sold most of the bank to Citicorp. It realised a loss estimated at over $100m. That was after the Arizona economy and property market took a severe pounding, and several United loans went bad.

This is not the first time accountants have been sued under this type of legislation: last year, Laventhol & Horwath was sued under a federal fraud statute and found guilty.

Last week Laventhol filed for bankruptcy. It was unable to meet debt obligations and pay damages for the numerous lawsuits the firm was facing over charges ranging from negligent auditsto fraud. Speculation is now rife that Laventhol is only the first firm to go under, and that others may follow.

Lawsuits bring bad publicity, absorb the time of senior partners — and they cost money

Lawsuits bring bad publicity to the profession; they absorb senior partners' time; of course they cost money. But it would be a mistake to think that they cost quite as much money as is trumpeted abroad in the sensational headlines.

In most cases, the payouts are substantially less than the original claim. Moreover, generally, the payout is largely covered by professional indemnity insurance.

Precisely how much have American firm paid out over the years? Hard estimates of damages paid out are hard to come by, but the figure on many accountants' lips is a total of $250m in the 1980s.

That estimate is probably low. Certainly there has been an upsurge in litigation in 1990 and actual damage payments are likely to rise as a result.

Laventhol & Horwath alone is reputed to have been obliged to pay out over $50m this year. Price Waterhouse, for example, settled two large lawsuits in Canada recently over the audits of National Business Systems and Calgroup Graphics. The first suit claimed $100m in damages while the second was for a $40m mistake. The firm refuses to say how much it had to pay out.

Then federal regulators won a claim of $140m this year against Touche Ross and Frank B. Hall, the insurance company, over the audit of Union Indemnity Insurance. While Frank B. Hall paid out $48m, the accountants are still contesting the claim.

US firms are insured against malpractice suits through one of five schemes. Two of them are run by the American Institute of Certified Public Accountants (AICPA) for small and medium-sized firms respectively. Small Californian firms also have the option of getting insurance coverage from the California Accountants Mutual Insurance Company (Camico) and a few medium-sized firms use a private scheme called CPA Mutual.

The fifth scheme is run by five of the Big Six that jointly own an offshore captive mutual insurance company. While the firms refused to divulge the precise terms of their coverage, the general counsel for one of them agreed that a ceiling of $200m would be a good estimate, with the first $5m of any claim borne by the firm.

One insurance broker said that the scheme has run into some trouble this year due to the fact that one of its re-insurers, the London firm of Weavers had to withdraw from the scheme because it was put into adminstration.

If firms are forced to seek bankruptcy, individual partners and professionals could be hard hit

There is a growing availability of insurance capacity in this market, which will allow the AICPA is to cut its premiums by 20 per cent next year with the Californians expected to follow suit soon. Neither of them, however, expects the reduction in rates to continue.

Mr Bill Tamulinas, the AICPA general counsel, says that the market will harden in the next five to ten years, while Mr John Dodsworth, president of Camico, says that it will happen in two. Mr Tamulinas adds that this might be quite severe, if previous experience is anything to go by. "In 1985 our maximum coverage plummeted from $20m to $1m and it's taken five years for us to raise it back up to $5m," he said.

Mr Dodsworth says that the 10,000 professionals covered by the CAMICO scheme attracted some 200 lawsuits last year and paid out $14m in damages. He says the Big Six employ many more professionals than are covered by his entire scheme, and they do both riskier and bigger jobs.

If many of the current rash of lawsuits against accountancy firms succeed and firms are forced to seek bankruptcy, individual partners and professionals might be hard hit.

As professionals, they are jointly and severally liable for unlimited damages. Lawyers can get individual coverage, but accountants can get coverage only through their firm.

Laventhol's partners are already worried that that means that they will be liable to the extent of their personal fortunes: there are some 100 lawsuits pending against the firm. Two Laventhol accountants had to sell their houses recently when their firm asked them to return loans. Bankruptcy lawyers predict that at least a few will face personal bankruptcy.

In an attempt to bring some relief to the profession, the AICPA has taken steps to allow firms to incorporate, thus allowing partners to limit their personal liability. AICPA members will vote on this next April.

ACCOUNTANCY APPOINTMENTS

TOYOTA

"Creating the Future Together"

Derby

c £33,000 + 2 Lease Cars + Benefits

Toyota Motor Corporation is building a new car plant in Derbyshire at Burnaston, and an engine plant in Clwyd, further continuing the dynamic growth the Group has experienced since it commenced production in 1937. As one of the world's motor vehicle giants, Toyota is now producing vehicles in 21 countries outside Japan.

To facilitate this expansion, the Company now seeks to recruit two senior financial executives who will be responsible for the creation and subsequent development of a sophisticated finance function.

Management Accounting Manager

Responsibility for:

- Cost management/performance enhancement.
- Budgetary control.
- Capital expenditure.
- Cost accounting.
- Accounts payable.
- Interpretation/analysis of monthly management information.
- Development of management information systems.

(Please quote reference AH 101).

Financial Accounting Manager

Responsibility for:

- Financial and Statutory Accounts.
- Tax (including VAT, Car Tax and Custom duties).
- Fixed asset control.
- Cash management.
- Insurance.
- Development of management information systems.

(Please quote reference AH 102).

Ideally aged 30 to 40, you will be qualified (probably ACMA/ACA). Industrial experience, preferably in the auto industry, will be an advantage. Interested applicants should write with full CV to **Adrian Hitchenor, Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Deputy Group Finance Director

Middlesex — c£50,000

Our client, a fully-listed international project and facilities management Group has achieved compound growth in excess of 20% over the last 10 years. Annual revenues are currently £60 million and, within this fast developing market are expected to exceed £100 million within two years.

A high-calibre financial executive is now sought to take over many of the existing responsibilities of the Group Finance Director with a view to succession within three years. There is a heavy Group-wide commercial content to the role, with involvement in the structuring and negotiation of new contracts and leading marketing initiatives. In addition you will continue the strong emphasis on planning and forecasting, initiate systems developments and control the Group's finance and reporting function.

Likely to be aged 35-40 and a qualified accountant with a strong technical skill base, you will have demonstrated a progressive track record of achievement in industry, consultancy or the City. Experience of financial appraisal of large projects would be a distinct advantage. Personal attributes must include self-confidence and strong interpersonal skills, enthusiasm, flexibility and boardroom credibility.

Please write enclosing a comprehensive CV with daytime phone number, quoting Ref 477 to: Barry Ollier BA ACA, Whitehead Rice Ltd, 43 Welbeck Street, London W1M 7PG. Tel: 071-637 8736

Whitehead Rice

MANAGEMENT SELECTION

Finance Director

Kent — c £50,000 + Car

Our client is a rapidly growing, £30m turnover, multi-site distribution subsidiary of a major international group. Operating at the forefront of its industry, the company has aggressive plans for organic and acquisitive expansion, both in the UK and in Europe.

A Finance Director is required, to establish stringent financial control and reporting procedures, which will be sufficiently flexible to meet the demands of a fast moving, high growth environment, but rigid enough to ensure rapid and accurate information flows. As a member of the senior management team, the successful applicant must be fully capable of contributing to the formulation and execution of total business strategy.

Candidates, aged 38-45, should be qualified accountants and seasoned operational managers, experienced at senior level in a multi-site business and able to demonstrate a thorough grounding in large company financial disciplines. Personal maturity, strong communication skills and a pragmatic approach to business problem solving are essential qualities.

Full relocation facilities are available where appropriate and interested applicants should send a comprehensive curriculum vitae quoting reference 2636, to **Alan Dickinson ACMA, Executive Division, Michael Page Finance, 39-41 Parker Street, London WC2B 5LH. Tel: 071-831 2000.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Financial Accounting Manager

Holborn

Imperial Cancer Research Fund

c £37,000 to £40,000

The Imperial Cancer Research Fund is a registered charity engaged in research into the causes, prevention, treatment and cure of cancer. An income of c.£50m in 1990 from legacies, investments and over 400 shops was expended primarily on research by 1500 scientists in 20 UK locations. The Fund is expanding with many exciting projects in process.

Reporting to the Head of Finance, the opportunity is to contribute to the Fund's aims by effectively managing the busy financial accounting functions, including payables, payroll and banking systems, with 20 staff in total. This is a broad role. The right individual will be a key contributor to strategic developments as well as liaising with the Charities Tax Reform Group and external bodies such as banks, investment managers, tax authorities and insurance brokers.

The position calls for an appropriately experienced, qualified accountant, technically strong on accounting principles and VAT. Requirements include experience of computerised accounting systems and use of micro computer software. Age 30 to 45, you will be well organised with a strategic commercial outlook and an outgoing personality.

The prospects for development and career advancement are good. Rewards include salary, a good contributory pension scheme and six weeks' holiday.

Please write, in confidence, giving full details of education, qualifications, career and salary plus a daytime telephone number and quoting reference 1650 to *Barbara Robertson MA MIMC.*

BDO CONSULTING

BDO Consulting
20 Old Bailey London EC4M 7BH

Senior Systems Accountant

South Herts — to £35,000 + Mortgage Subsidy + Car

We have been retained by one of the world's largest and strongest financial services Groups. This blue chip organisation employs in excess of 30,000 people in over 30 countries and is widely regarded as a major innovator in the areas of life assurance, pensions, general insurance, investment management, unit trusts and reinsurance.

As a result of the continued growth and increased sophistication of their business, our client is seeking to appoint a Senior Systems Accountant for their general insurance division. Managing a small team of Systems Accountants, the successful candidate will support from a financial perspective, the development and control of the business and financial systems of the division. Emphasis will be placed on planning, implementing and monitoring long and short term solutions which satisfy the financial system control requirements of the Group. Inevitably this will involve extensive liaison with specialist systems staff and exposure to senior operational and financial managers, where the ability to define and communicate solutions is as important as the will to follow them through.

The successful candidate will be a qualified accountant with a strong systems background. With a minimum of three years' post-qualification experience the individual will have gained extensive exposure to mainframe systems ideally within an insurance environment. Equally important are the personal qualities which must include a pragmatic approach, organisational ability and judgement coupled with the communication skills and tact to operate effectively in a complex and sometimes sensitive environment. In return, the Company offers generous remuneration and excellent opportunities for career development.

For further information, please write enclosing a full c.v. to **David Head, Michael Page Finance, Centurion House, 136-142 London Road, St. Albans, Herts AL1 1SA.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

Financial Controller

Career development role – multi-site, fresh food business

West Yorkshire — **To £35,000 + car**

Our client, a £multi-million autonomous subsidiary of a major British plc, produces and markets a range of high quality, fresh food products. Their very successful policy of organic expansion and acquisition has created a stimulating environment; offering able managers significant challenge and career development opportunities.

As number two to the Finance Director you will control a head office staff of about 20, and will have a strong functional line to accounting staff in the individual business units. Your role will be wide ranging – including responsibility for all financial and management accounting procedures, and for future accounting systems development. Working closely with your line management colleagues, you will also participate fully in capital project evaluations and in acquisition appraisals.

Probably in your 30's, you must be a qualified accountant with a minimum of five years' experience in a profit-accountable volume manufacturing or retailing environment. A working knowledge of current computerised accounting systems is essential.

Salary for discussion as indicated and career prospects are excellent. The comprehensive benefits package will include generous relocation assistance in appropriate cases.

Please write – in confidence – with full details. Neil McLaughlin, Ref. 65070, MSL International (UK) Limited, Ebor Court, Westgate, Leeds, LS1 4ND.

MSL International

Assistant Company Secretary

Circa £30,000 — Manchester

Our client, Courtaulds Textiles plc, is one of Europe's leading textile companies and also has a significant presence in the US. Led by a young management team, it successfully balances strong financial control with a lack of bureaucracy; making it an organisation in which lively-minded professionals thrive.

You will have the opportunity to influence the direction of the company through fresh ideas and positive action. Probably a graduate, you will be a qualified Chartered Secretary, now in your early 30s, with an impressive career background in a public company and preferably a good understanding of intellectual property matters. Clearly, a highly capable business administrator, you should be skilled in the cost-effective management of external services. Part of your success, at least, will be due to the way you combine energy, drive and intellectual ability – including a hands on approach to tasks when necessary – with sensitive handling of people.

There are excellent opportunities for you to progress your career and the salary is augmented by a valuable package of benefits.

Interested applicants should send a comprehensive curriculum vitae to **Martyn Smith, Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.**

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

GROUP FINANCIAL CONTROLLER

Financial Services
North-West
c.£75,000 + car + benefits

THIS IS THE senior finance post within a well known UK financial services group. Working closely with the Chief Executive, it offers the opportunity to make a major impact on the financial and strategic management of the business, both at the centre and across the subsidiaries.

The wide ranging nature of the brief includes responsibility for management and financial accounts, consolidations, cash flow and taxation matters. Priority tasks include improvements to budgetary controls and to forecasting procedures throughout the group — together with subsequent analysis and interpretation to maximise business efficiencies and effectiveness.

The ideal candidate probably in the 35–45 age range, will be a qualified accountant with a successful record at senior management level in the service sector. He or she will now be looking for the chance to make a significant impact in a key senior management role which provides career prospects to Main Board level. Salary is negotiable around £75,000 plus generous benefits package and assistance with relocation to a very appealing north western base.

To apply please send full career details, together with current salary, to: John Todd, ref: **4703/JT/FT, PA Consulting Group**, Fountain Court, 68 Fountain Street, Manchester M2 2FE, or telephone his secretary for an application form on 061-236 4531.

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EAST MIDLANDS **UP TO £40,000 + CAR**

Group Chief Accountant

This £60 million turnover group has an exceptional record of achieving rapid and sustained profitable growth. Leadership of not just one but a number of their business sectors has been gained in competitive and service critical markets. Key factors have been imaginative and focused marketing, product and service excellence and decisive, bottom-line motivated management.

You can now join this success story at a time of accounting and systems change in a high profile position. Your early priority will be to review management reporting with ongoing responsibilities to include statutory accounting, monthly reporting, cashflow management and financial reporting to the parent group. There is an international dimension plus involvement in joint ventures and acquisitions.

As a qualified Chartered Accountant, you must be technically strong, with a pronounced hands-on style. Your experience should have been gained in substantial, fast moving businesses whilst the ability to quickly absorb and adapt to the group culture is essential

Please send full personal and career details, including current remuneration level and daytime telephone number, to David Owens, Coopers & Lybrand Deloitte Executive Resourcing Ltd, Cumberland House, 35 Park Row, Nottingham, NG1 6GR, quoting reference D369.

Coopers & Lybrand Deloitte | Executive Resourcing

GROUP FINANCIAL CONTROLLER

North East London **to £33,000 + car + benefits**

Our Client is a successful and expansion orientated group of companies manufacturing and distributing food products, and with a current turnover in excess of £20 million.

This appointment requires a qualified and energetic person, possessing good EDP knowledge and strong organisational abilities, who will relish the opportunity to work in a dynamic environment. Reporting to the Managing Director this will be a key appointment and will play a full part in the continuing development of the Group.

The remuneration package includes a company car, non contributory pension scheme and the opportunity for future career development.

Candidates interested in this challenging opportunity should write enclosing a current cv, quoting ref FT/285 to Brian Withers.

Withers Diamond & Wood Brigdale Ltd.
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Jennifer Hudson
071 873 3607

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071 873 3199

FINANCIAL CONTROLLER

Construction Industry

London **to £37,000+car**

Our client is the UK subsidiary of a well-known and respected Group in the construction industry with a fine reputation in construction and related activities. The business has grown rapidly in recent years, and plans to continue to do so both organically and by acquisition in the future. As part of a restructuring of management the UK Company now seeks a Financial Controller.

Reporting to the Finance Director, the Controller will have wide responsibilities for controlling all aspects of the accounting and financial management of the Company, reviewing accounting strategies and master-minding the replacement and upgrading of integrated computer based systems. Reporting procedures, treasury management and tax planning will be equally significant aspects of the Controller's responsibility.

Candidates, qualified accountants with managerial experience and, preferably, some familiarity with the construction industry, must be excellent communicators with strong commercial flair. They will need to have considerable confidence and the potential to develop the role significantly in a group with outstanding growth prospects.

Please write in confidence with full career and *salary details, quoting reference 9857, to* John Hills.

KPMG Peat Marwick Selection & Search
70 Fleet Street, London EC4Y 1EU

PQE

WEST LONDON £30,000 + car

Chief Accountant

Reorganisation at a well-established consumer products manufacturing multinational (UK turnover c£40 million) has created an opportunity for a qualified Accountant seeking greater control and a fresh challenge. This demanding role involves reporting to the Financial Director and participating directly in the preparation of monthly financial accounts, systems enhancements and subsidiaries consolidations in a changing manufacturing environment. Also be responsible for the company secretarial functions and supervise a small number of staff. An initial project will be the further development of pc-based reporting systems to enhance significantly the quality of the monthly accounts package. Ref: PQE 3010A2.

Contact the PQE Specialist advising on this appointment on 0753 76677 or the Manager at 39 Station Road, Hayes 081-569 2919
Next to Allied Carpets

SW1 £30,000

Trading Accountant

This major European organisation has recently transferred its crude oil acquisition and trading activities to London. It requires someone to assume responsibility for the co-ordination of the accounting and administrative functions, reporting to German management. The core emphasis of its operation is involved in the futures markets, i.e. hedging and trading; you will also supervise the accurate recording and accounting of these areas. Supervising ten accounting staff, the position also carries responsibility for the preparation of local financial reports, risk management reports and pricing calculations. The environment is highly computerised (using Lotus 1-2-3) and also demanding in terms of the achievement of objectives. Ref: 64131

Contact the PQE Specialist advising on this appointment at 76 Cannon Street, EC4 071-489 9997
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REED... accountancy

FINANCE MANAGER

Greater Manchester **c. £30,000 package plus car, benefits**

Principal Division of £150m turnover Plc, with excellent reputation for product quality and performance, is initiating radical changes in marketing and manufacturing to compete aggressively in an international marketplace. Strategic business unit in new purpose-built premises requires experienced finance professional to complement management team, establish reliable product cost data and develop functional accountability.

The Role

- Provide strong leadership within finance function, ensuring prompt, meaningful information to local executive and Group.
- Spearhead design and implementation of new activity-based reporting system.
- Introduce and operate stringent performance criteria across all disciplines.
- Report to Operations Director; functional link to Divisional Finance Director.

The Qualifications

- Graduate-calibre qualified accountant, preferably ACMA. Unlikely to be under age 28.
- Sound experience in manufacturing, preferably with engineering bias.
- Extensive awareness of systems applications and their contribution to profitability.
- Confident, Communicative. Self-disciplined.

Please reply in writing, enclosing full c.v. Ref: M465.

ASB RECRUITMENT LTD.
Amethyst House.
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Manchester
M2 1EA

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Fax 061-832 9123

PRODUCT ACCOUNTING AND ANALYSIS

Leading Derivatives Player

Excellent remuneration package

Our client is the merchant banking arm of a major international bank. Rapid expansion, particularly in derivative products, has created the need to recruit an accountant to join the trading support team.

Reporting to the Financial Controller, you will be responsible for accounting, risk analysis and management reporting for swaps, options, futures and other derivatives. You will have extensive contact with the traders and will liaise with senior management, systems specialists and settlements staff. As the role develops you will have the opportunity to specialise in new products and build a team of staff.

A graduate aged 25-35, you will have a sharp analytical brain, a high level of numeracy, an understanding of derivatives and good accounting skills. The successful candidate will exhibit a flexible 'shirt sleeves' approach and be able to contribute significantly within a results orientated environment. Remuneration will be flexible, depending on experience, but salary should not be a limiting factor.

Interested candidates should contact Suzie Mummé on 071 248 3653 (081 673 2549 evenings/weekends) or write, sending a detailed CV to the address below or use our confidential fax line on 071 248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

BBM ASSOCIATES

Tel: 071-248 3653 Fax: 071-248 2814

CONSULTANTS IN RECRUITMENT

GROUP TREASURER

Rural Midlands (1 hour from London) c£45,000 plus Car

An expanding supplier of products and materials largely for the construction industry and with extensive interests in Europe and North America plans to develop their treasury operations further by appointing a Group Treasurer.

Reporting to the Group Finance Director, this demanding position will be part of a small, tightly managed head office team, and you will take immediate responsibility for developing all Group treasury matters including systems and banking relationships. The Group's UK bankers are based in London and the Treasurer will be expected to deal with overseas banks and subsidiaries.

The position calls for a highly experienced treasurer, who is perhaps a current number two seeking the coveted top position and will probably be aged between 33 and 40. It is likely that the successful applicant will be a graduate qualified accountant (or MBA) and will probably be a member of the Association of Corporate Treasurers.

Experience of a multinational environment is considered essential as is the ability to communicate effectively, both externally and internally. A working knowledge of a European language would be a major advantage.

The remuneration package includes a fully expensed car, contributory pension scheme and profit related incentive scheme. Initial interviews can be conducted in London or the Midlands and assistance with relocation expenditure is available.

Interested applicants are invited to send a comprehensive curriculum vitae, including details of current remuneration, and a daytime telephone number, quoting reference 176, to Andrew Sales FCCA:

Kidsons Impey Search & Selection Ltd, 29 Pall Mall London SW1Y 5LP Tel: 071-321 0336 Fax: 071-976 1116
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REGIONAL FINANCIAL CONTROLLERS

Financial Services   Commercial Role

Birmingham   Bristol   Leeds   £23-30,000 + Car

Our Client is a highly successful subsidiary of a £3 billion turnover international business services Group. It operates through a network of UK offices and is regarded as a leading force both in the UK and International markets. Having undergone a major structural review, it is now poised to achieve significant profit growth in the short and medium term.

As a result of this review, they wish to appoint a Regional Controller to both strengthen local financial management and provide general support to the local Managing Director. A principal part of the responsibilities will be to oversee the installation and further development of a networked UK accounting system. This will be a high profile position giving exposure to a wide range of business issues.

The successful candidates will ideally be qualified accountants (ACA/CIMA) with a minimum of 3 years' post qualification experience in commerce. This will have been gained within an operating company environment, preferably in a multi-site service organisation. Non-qualified candidates with significant, relevant experience will also be considered.

Due to the nature of this role, verbal and written communication skills are of the utmost importance as are diplomacy and commercial acumen. These roles represent an outstanding opportunity for resourceful, business-orientated Accountants to join a dynamic and prestigious Group at a critical time in its development. Remuneration packages will reflect age, experience and local conditions whilst prospects for the future are excellent.

Interested candidates should contact Charles Macleod, Manager, Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone 071-836 3545, or evenings on 081-946 9078. Alternatively, fax your details on 071-836 4942.

Interviews will be conducted locally.

RH ROBERT HALF

MANAGER - FINANCIAL REPORTING
£40K + CAR

MATCH YOUR HIGH SPECIFICATION TO OURS

At Mercury Communications, we provide a state of the art communications service to business and private users, with the only fully digital public telecomms network in the UK. Operating with the full backing of the multinational Cable & Wireless Group, we are firmly committed to the application of the latest technologies to telecomms problems.

We're currently looking for a Financial Reporting Manager to be based in our Bletchley office. Reporting to the Chief Accountant, your role will be to control and monitor the financial processes/accounts underlying the reporting of the Mercury network financial results in order to meet both monthly/quarterly and statutory requirements.

A fully qualified accountant, you'll have extensive man-management experience at a senior level, with previous responsibility for highly motivated, qualified staff and a large team of at least 40 personnel. Preferably from a blue chip company, you'll be comfortable working to tight deadlines in a demanding, fast moving environment, with a total quality culture.

In addition to a highly competitive salary of up to £40,000, your generous remuneration package includes company car, BUPA, pension scheme and 25 days leave. You will also benefit from opportunities to develop your career within our competitive growth environment.

Please send career details, quoting ref. BL/11/1, to: Clare Tarr, Personnel Department, Mercury Communications Ltd, Dunedin House, 3-4 Auckland Park, Mount Farm, Bletchley, Milton Keynes. Tel: 0908 366699.

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GROUP FINANCIAL CONTROLLER

West Midlands

Triplex Lloyd plc is an industrial engineering group, serving the automotive, power, construction and electrical engineering markets of Europe and North America.

The position of Group Financial Controller has arisen because the previous incumbent has recently been promoted to become Vice-President Finance of the Group's North American operations. This is a special opportunity for an individual to play an important role within the Group's small head office team. This team is a part of a lively, innovative and highly successful organisation. This dynamism is reflected in the Group's recent growth. Annual turnover has increased from £27 million in 1985 to around £200 million at present, and over the last six years the company has moved from a loss of £•92,000 to a profit before tax of over £12 million in 1990.

Reporting directly to the Group Finance Director, the main responsibilities include supervision of the Group's management and statutory accounting activities, preparation of Group budgets, cash flows and forecasts, and ensuring Group wide compliance with the Group's accounting policies.

This demanding senior post requires a professionally competent individual with exceptional personal qualities. Candidates will ideally have gained previous industrial experience in a head office environment and be a Chartered Accountant. Personal commitment, reliable and accurate reporting skills and strong analytical abilities are essential for success in this role.

We offer an excellent remuneration package including competitive salary, annual bonus scheme and good pension plan with life insurance, contributory health insurance and fully expensed executive car.

To apply, please write with full curriculum vitae to:

J R Foley, Group Finance Director
Triplex Lloyd plc
Cranford House, Cranford Street
Smethwick, Warley
West Midlands B66 2RJ

TRIPLEX LLOYD

CORPORATE FINANCE EXECUTIVE

Central London

Retail   £35,000-£45,000 + Car + Benefits

Recognised as one of the leading and most exciting names within the highly competitive retail sector, this international group couples an impressive level of market development with commitment to premium and innovative brand image.

With a strong domestic presence and an outstanding reputation in its diverse operations it is poised to develop a wider strategy both in the US and Europe.

This position presents a first rate opportunity to play a key role in:
- development of the Group's strategy for Europe
- evaluation of existing business
- the proposal of financing alternatives to fund strategies
- investor relations/city presentations
- special studies

The successful candidate will be ACA qualified, with a first class academic background and an outstanding record of achievement. It will be necessary to exhibit strong commercial awareness which will have been gained within a blue chip organisation. It is also unlikely that the successful applicant will be aged over 28.

The rewards, both short and long term, are commensurate with a position of this standing.

In the first instance please telephone David Boothby on 071-437 0464 (071-498 2573 evenings and weekends) or write enclosing a copy of your curriculum vitae to the address below. All enquiries will be treated with the strictest confidence.

ROBERT • WALTERS • ASSOCIATES
RECRUITMENT CONSULTANTS
Queens House 1 Leicester Place London WC2H 7BP
Telephone: 071-437 0464 Fax: 071-437 0597

DIVISIONAL ACCOUNTANT
SALARY £25,000 PA + CAR + BENEFITS

ISS International Service System is the world's largest cleaning, security and related services Company. The Company is renowned for its commitment to quality and the development of its Human Resources.

The Group has enjoyed rapid growth which led to the formation of a European Division in 1989 with responsibility for the management of the Group's non-Scandinavian service companies in Europe, and also Latin America. The Division has revenues in excess of £250 million and is set to exploit the huge growth potential in Europe in the 1990s.

The Divisional Headquarters based in West London now requires an Accountant to contribute to the development of the financial control of the companies within the Division.

Reporting to the Divisional Finance Director, the successful candidate in this new position will be a qualified accountant aged 25 to 30, possibly with an MBA. He or she will have experience in financial control, consolidations, analysis and systems.

Work experience in a service-based environment would be helpful and the candidate will be fluent in German and/or French.

Applications should be made in writing (enclosing CV) to:
ISS Europe Ltd., 44-50 Bath Road, Hounslow, Middlesex TW3 3EB, marked "DA"
No Agencies please.

ISS Europe

RETAIL ACCOUNTANT
30,000 + CAR + BENEFITS
CENTRAL LONDON

A qualified Management Accountant is sought by an expanding fashion company to head the accounts of its Retail subsidiary. The company operates in a sophisticated computerised environment which it continues to develop.

The successful candidate will have:-

- Proven Retail management accounting and business skills.
- An appreciation of the strengths and weaknesses of computer systems.
- The potential to join the Retail Board
- Aged under 40.

· coppernob ·

Please send your CV to:
The Personnel Manager, Coppernob Group Holdings plc
95 Great Portland Street London W1N 5RA

FINANCE DIRECTOR

North Kent   £40,000, Car, Benefits

Highly successful expanding £10 m sports and leisure products division of PLC heavily committed to export markets, requires experienced Financial Director with strong commercial background and capability to control multi site activities as growth plans develop.

The successful candidate must demonstrate proven management background in controlling accounting functions in a fast moving environment.

First hand knowledge of export procedures and legal implications of international distribution agreements is essential as is familiarity with reporting and forecasting procedures required within a public company.

Applicants, who must form part of a highly motivated ambitious management team are unlikely to be under the age of 35 in order to have obtained the appropriate level of commercial experience required.

Applications in writing with full CV to Mrs J Stevens, 134 Gilstead Lane, Gilstead, Bingley, West Yorkshire BD16 3LN.

FINANCIAL MANAGER
(DIRECTOR DESIGNATE)

Somerset   to £28,000

Our client was established in 1978 and is a growing and successful designer and importer of quality international furniture, accessories and gifts. Based in attractive rural Somerset, the company is privately owned and market leader in its field. They now require a commercial and progressive self starting Financial Manager to support the Managing Director in improving management controls and developing the business profitably.

Key responsibilities will include:
- Introduction of improved management information systems.
- Total control of all finance and computer operations.
- As part of the top team, involvement in business development in both the UK and Europe.

Candidates should be mature qualified accountants unlikely to be aged less than 35 with good communication and interpersonal skills who can demonstrate practical hands-on experience in a distribution environment, a good working knowledge of computer systems, and of having contributed effectively to the commercial needs of a growing, entrepreneurial business.

An attractive remuneration package including car, will be negotiated which will reflect the importance of this long term position.

Please reply enclosing full details to
David Robshaw · Gimlet Management Consultants · Oakfield House · Oakfield Grove, Clifton · Bristol BS8 2BN

FINANCIAL CONTROLLER
c£30,000 + CAR + BENEFITS

The Company

- A young growing subsidiary of a substantial German based engineering group supplying the UK automotive, domestic appliance and other markets.
- Annual turnover £6 million.

The Role

Reporting to the Managing Director a key member of a small senior management team, responsible for:

- The complete accounting function.
- Contributing to the planned growth of the business with full involvement in the corporate role.

The Candidate

- Qualified accountant or suitably experienced part-qualified accountant.
- Previous experience of computerised systems essential.
- Strong team management and communication skills.

Write with full career details to:
Mrs T Harling,
Grote & Hartmann (UK) Ltd,
8/9 Brick Knoll Park,
Ashley Road Industrial Estate,
St Albans, Herts AL1 5UG

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CASTLE COMMUNICATIONS

GROUP CHIEF ACCOUNTANT
Entertainment Industry (30K + Car)

Castle Communications PLC is an expanding USM company in the record and video business in the UK with subsidiaries in Australia, West Germany and Finland.

The company seeks a young dynamic chartered accountant with excellent personal skills and a practical and commercial outlook, to report to the Group Financial Controller at the group's headquarters in Chessington. Responsibilities will include the control and development of group accounting systems and staff, the production of budgets and accounts, the upgrading of management information systems, and the commercial monitoring of group activities.

The position will involve some overseas travel.

Outstanding career potential for the right candidate.

Ring Tracey Armstrong on 081-877 0922 for an information pack before 7 December 1990.

STRICTLY NO AGENCIES